Daily Report

Latin America

FBIS-LAT-95-162
Tuesday
22 August 1995

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FBIS-LAT-95-162 *22 August 1995*

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Cuba

Castro Speech at ACS Summit Closing

PA2108153195 Havana PRENSA LATINA in Spanish 0234 GMT 19 Aug 95

[Speech by President Fidel Castro at the closing ceremony of the Association of Caribbean States Summit in Port-of-Spain on 18 Aug 95]

[FBIS Translated Text] Port-of-Spain, 18 Aug (PL) — Well, almost everybody here has brought a speech. The only thing is that everything one could have written at home with imagination at a long distance has been discussed and has been analyzed. Therefore, all of us will have more than enough paper although my speech was brief.

However, there was a point that goes along with other issues and is somewhat significant because it has been suggested here, it has been referred to here, and it has to do with Cuba's role in tourism and the terrible threat Cuba would seem to represent for tourism in the Caribbean.

And what had I written in this regard?

"Cuba has turned the development of tourism into a priority as an important part in its efforts to achieve economic recovery after our country experienced great losses as a result of the disappearance of the Communist bloc and the Soviet Union, and the damage brought about by the economic blockade imposed by the U.S. Government against our country. With this rightful and noble determination, we learn from you, Caribbean brothers, about the excellent way and beautiful hospitality you show toward visitors.

"However, Cuba's development of tourism does not have to displace other countries at all. On the contrary, we want to develop in close coordination with countries in the area, because we believe that in this field there are enormous possibilities for improving and expanding tourism in the Caribbean and obtaining the greatest benefits for all."

Nevertheless, I would like to add a few ideas. First of all, we know very little about tourism, we are learning now what you learned long ago, and therefore we are at a so-called experimental stage, working with many difficulties.

There is absolutely no reason for any sort of competition with Cuba. We do not have loans from any international financial organization. As you very well know, we are kept away from God's hand. For this reason, when a hallelujah was sung yesterday, we hoped to be included in this prayer for peace (laughter and applause).

Yesterday President Zedillo said something that we liked very much. He said: "Let no one be excluded from all this."

There have been other historic experiences in the field of production, let's say sugar.

When the blockade began, Cuba was deprived of its sugar quota, which was 3.5 million tons of sugar every year. We were the only losers because the quota was distributed throughout the world. There were candies for everybody except us, who were left without a sugar quota.

However, we continued developing the sugar industry and we produced eight million tons every year in the last few years, but not in the past three or four years but in the 1980's, and we sought markets. The Soviet market, the socialist camp market, the Chinese market, appeared for our sugar, and no country suffered because of the development of Cuba's sugar industry.

On the contrary, the demand for sugar in the world continued and the markets continued existing, and U.S. preferential prices existed, and the preferential prices of the Lome Convention existed. We also sold at preferential prices in the socialist camp, so no one got hurt with the development of the Cuban sugar industry. On the contrary, I would said that in general, the commerce of sugar was further developed.

Now I think: The 60 million tourists who go to France every year have not taken one single tourist away from Spain. The 50 million tourists who every year go to Spain have not taken one single tourist from Italy, and we can see that in Europe, tourism is expanding.

It has been said that tourism will be the most developed industry in the future. This is only logical because there are countries that have big resources, that have two-thirds... I think somebody — I do not remember if it was the president of Mexico — wrote recently that seven industrialized countries have two-thirds of the world's gross national product.

They have unemployment problems and sometimes reduce the work-week from five to four days. They are going to be a huge source of tourists, but not only the developed countries, many other countries will also be a source of tourism, countries like Mexico, and those of Latin America. Many Third World countries are learning to travel. Yesterday the president of Venezuela was telling me that approximately 484,000 Venezuelan tourists travel to the United States.

In other words, tourism, from our point of view, has an enormous future and it will become an industry greater than the oil industry and all the other industries in the

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world. There is a worldwide demand for recreation and rest. In fact, it is a great problem that has to be solved.

I ask myself what harm could Cuba cause if it develops its tourism. I believe it is the contrary: First, I think it will take us many years to acquire the experience in tourism that other Caribbean countries have today. We practically have only our own resources, and this is how we are doing it. As we said before, we have no credits in international organizations.

There are people who want to invest in our country, but many pressures are exerted on them not to invest, this is a reality, therefore we will have to develop tourism at a certain pace.

If the Caribbean Basin is successful, there will be no room for the tourists of the world willing to come to this area. I believe we have exceptional conditions, I believe that if we protect the beauty of our resources, I believe that if we protect it from erosion, if we protect it from contamination, if we convert tourism in the Caribbean into the world's best environmental tourism, we will truly accomplish a significant part of the common dream we have decided on here.

Other regions are getting involved. Southeast Asia — to a great extent — is developing tourism, so are Australia, New Zealand, other countries, Africa, China, Vietnam — which was involved in a great war up to a short time ago — is also developing tourism. Europe and the United States of course do it, too. All of us are faced with a question of competition, a question of quality. But I believe that the Chinese will eventually travel abroad as that country develops, and the day the Chinese travel no doubt that they will not fit in the Caribbean (laughter).

Russia and other countries are also developing tourism. I was told recently — because now they seem to have money, or at least some of the people have money — that they were purchasing homes on the coast of Sardinia, that they were purchasing homes on the coast of Southern France. Hopefully they will not purchase homes around here in the Caribbean because we will be left with no land to build or to cultivate. But, well, even that — acquiring real estate —is now possible, and tourism is increasing.

Tourism, I said, is becoming a universal need and within that special situation in Cuba... you have seen that we have not complained here. We are aware of how you have behaved in the United Nations, how you have endorsed resolutions there against the blockade on Cuba. For that reason I see no reason to bring this up or make any requests about it.

I merely mentioned it in this case to explain what are Cuba's special circumstances and the reason we have to dismiss any idea, any suggestion that Cuba may compete for tourism in the Caribbean region. I am certain that the day 2 million or 3 million tourists arrive in Cuba, 20 million, 25 million tourists, who knows how many, will be coming to the Caribbean because of the real possibilities that exist.

What I want to declare here is our willingness to contribute with whatever possible to develop the potential of the Caribbean's tourist and natural health. We are willing to cooperate with everything within our reach.

Ours is a small country, it is not a rich country, it is not an industrialized country, it is rather a poor country that under the current circumstances is going through a difficult period. We, however, at one point awarded up to 25,000 scholarships to foreign students in our country. I say this as a sign of the spirit of solidarity of our people. Tens of thousands of professionals from all over the world studied in Cuba following the triumph of the revolution. And so we have many friends who came and studied in Cuba.

Over 10,000 Cuban doctors have served "for free" in other countries.

We have developed scientific investigations and put that science at the service of our brother nations, especially, our brother peoples of the Caribbean. We can work in many fields as a form of cooperation.

As I said, we do not have much experience in tourism, but if we could in some way help in training technicians, experts, engineers, we could also do that.

I want to tell you in a most sincere manner that we have no willingness to compete but to cooperate, help in the development of this region. Nature did not give us more things, yet it did give us great beauty and other resources. Save for a few of our friends, we have no great quantities of gas, oil, and all those things. We have to import them, and often we have to import them at an increasingly high price, because when prices rise we pay our share for the fuel we need each year. At any rate, we have other resources and we must exploit them.

I also regret the situations faced by the small Caribbean countries, and even the midsize countries, particularly when a hurricane hits the area such as the one that hit Jamaica and devastated most of the country.

When a hurricane strikes Florida, people there claim to suffer damages for $25 billion, but if a small country in the Caribbean endures losses for $25 million, its losses are greater than those of the United States when

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a hurricane hits Florida. When a hurricane hits Florida, it does not strike New York, or Boston, or California, it hits part of the United States.

However, when a hurricane hits many countries in the Caribbean, it hits the entire country and destroys everything. Perhaps, one of these days, we must also explore ways to ensure some security, some guarantee, some compensation for the countries that are victims of these natural disasters.

Cuba has a larger surface than many of the Caribbean islands; however, there are times when a hurricane hits the island from one extreme to the other, and hurricanes occur simultaneously with droughts, and problems of this nature.

I truly admire — I say it with absolute frankness — the Caribbean countries. If we have this natural resource, it is our most sacred duty to exploit it. I believe they have set an example for other countries, for the Latin Americans, regarding the spirit of integration, unity, and teamwork. They have taught us much to this effect, and they have even attracted us.

We are not fluent in English — unfortunately for me, because I cannot master these devices quite well and I have to listen to everything through these small contraptions — but we are Caribbean countries, we will be part of the history referred to by the Dominican vice president, because we are located on the route of discovery and we are also on the route of conquests.

We are virtually at the same level of all the other Caribbean countries, but we have united, and we have united very sincerely, very humbly, and we are filled with the best resolve to cooperate with our Caribbean brothers. This is our country's position, and I am confident that history will demonstrate what I am saying.

This is what I wanted to tell you, Prime Minister, and I hope you will not complain if I talked for too long, because thus far, the complaint I have heard is that no one talks (laughter). This is not the case since many spoke about the topics yesterday.

And I will tell you something else to conclude: I am pleased with the style, because here, at least, we have discussed concrete topics, and we have spared ourselves many speeches. We have spared ourselves speeches because we have gone over the issues, the problems have been discussed. All of us have offered our views — all of those who have wanted to voice them — and I am convinced that there are many who have not voiced their opinions because they believe what they were going to say was already included in the topics and in these documents. Many thanks.

Castro Addresses Businessmen at ACS Summit

PA2108201495 Havana Radio Havana Cuba in Spanish 0000 GMT 20 Aug 95

[Speech by Cuban President Fidel Castro at luncheon with businessmen in Port-of-Spain, Trinidad and Tobago, on 18 August — recorded, with passage-by-passage translation into English; from the "Evening Information Review" newscast]

[FBIS Translated Text] Perhaps I should complain to the Human Rights Commission because of those lights flashing in my eyes.

Dear friends of Trinidad and Tobago and dear Cuban friends:

It has been said here that not everything has gone as planned, because the cassettes with the anthems of Trinidad and Tobago and Cuba were lost. Well, that can be explained. It was all part of the haste with which everything was done, but there is something even worse for me, and it is that I lost the speech I was to supposed to deliver here. [laughter]

It would be better to say that I have not had time to think about words worthy of this event. Ever since I arrived here, I have not had time to breathe. One event has followed another, and there has been one meeting after another. Everything is very well-organized, and everything is coming out right. This is all new to me and since everything new — according to what the Bible says about the world — started with chaos, we have had lots of public and private meetings. That is why I would like to apologize to you for arriving here with a blank mind.

I am also faced with another adverse circumstance, which is that in all speeches, the best one is the shortest; the worst time to deliver a speech is right before a meal. [laughter] Taking all this into consideration, I will try to be brief.

I have had the privilege of listening to Mr. Robinson, and his words have really moved me quite a bit. He expressed himself in a way that is far above the modest merits I myself may have and above my limited capability to approach the problems of this world, because this world is the most complicated of the worlds that have ever been known. This is a world of growing problems in every field. He said two things. He said that I came to talk to you about business in the first place. He also said I would come to talk to you about the world.

Well, business. What can I say about business? If just the opposite were said, if he had said you would come to me to talk about business, that would be better because

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you are businessmen. We are rather politicians who have been forced into becoming entrepreneurial men, so as not to say businessmen.

There can be enterprises that are not good businesses. Perhaps the most important difference, and the adversaries of our ideology would be pleased to hear this, is that, as a rule, the state makes good and bad businesses. In general, businessmen, if they are true businessmen, do good businesses. At least their accounting is better. They take into account their costs, markets, and investments. You are more guided by rationality. Our efforts are mostly guided by, I would say, our feelings and our heart. Very often we are guided by our dreams. We want to do many things. Politicians are senators [senadores]. [Castro pauses; translator says: "dreamers" (sonadores)] Yes, politicians are dreamers, and businessmen are rationalizers.

Very often we want impossible things. Businessmen generally want to do possible things; however, there is a big, important difference. When politicians become businessmen, they generally fail. When businessmen become politicians very often they are successful. The worst thing of all is that when businessmen lose, it hurts them a great deal. When politicians lose in business, they do not care, and it does not hurt them. [applause]

Of course, I am doing a caricature, not of businessmen but of politicians. In general, we do not have the same firmness, the same common sense as businessmen when we do things. As a politician I can say that I have done things in which I have been able to act with rationality, and I have done things in my life in which I have allowed myself to be driven by my dreams. The only thing I can say on my behalf is that everything I have done in my life has been in the pursuit of noble objectives, with the purpose of helping my people and with the purpose of helping mankind. We should rather be critical of our work, of the work of the revolution.

We have reached important achievements. Our country, despite its small size, has given some examples, which could also be examples of dreams coming true. Our country has the highest number of physicians per capita in the world, above the United States, Canada, France, Sweden, Norway, and others. [applause]

We have a doctor per less than 200 inhabitants. It should be around one doctor per 180 inhabitants, and we continue to graduate physicians. For the year 2000, we estimate that our physician training programs will include 10,000 doctors working abroad as a way of cooperating with the Third World. All of this is fundamentally done free of charge.

We have also been able to become the first country in the world in the number of teachers and professors per capita. We are also the first country in the world in the number of physical education and sports teachers. We generally obtain a high number of medals in international sports competitions. We have made great progress in the field of culture. We have made important achievements in that field.

Another field that should not be underestimated is the field of scientific research. We have tens of thousands of scientific research workers. We have tens of thousands of scientific workers doing work in different areas, especially the areas of biology, biotechnology, and medicine.

I have mentioned a few of my country's achievements. Our country has not only grown in the social order, but it has also grown considerably in the economic order, especially since the years of the revolution.

Cuba has also shown its solidarity with the world. More than 10,000 doctors have worked abroad in Third World countries. We can say that we have taken health to the people and helped save the lives of many people with our work.

We have also done intellectual work in many other countries. We have done important international missions. We have contributed our grain of sand to the struggle for the liberation of colonies in Africa and also against one of the most loathsome forms of injustice and oppression, which was apartheid. [applause]

To give you an idea of how much our contribution was, I must say that in Angola we spent almost 15 years fighting South African aggression. We stayed there until the end, until a victorious peace or until the victory of peace was attained. The efforts, the sacrifices led to the consolidation of Angola's independence, the liberation of Namibia, and the disappearance of apartheid. That was the contribution of our small people. At one point we had 52,000 troops thousands and thousands of kilometers from our country facing a true military power, which even had nuclear warheads, when we were fighting them at the border with Namibia. We knew that, but we chose to deliberately face that challenge.

Now that I have told you this brief story, I would like to tell you that in the heart of our concerns were the interests of our people, above all, and economic and social development as well as international solidarity, which was always a sacred principle with which we have complied.

Throughout the years we have been gaining a certain experience in the field of economic development. I must

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say that when we started we knew absolutely nothing. We have had to learn more than one trade.

Mr. Robinson was referring to the military experience some of us may have, but we did not study in military academies. We rather learned from history, the history of the world, the history of our own country, and its struggles for independence. From there we began working on the ideas that turned us into fighters of tyranny in our country, a tyranny which committed many crimes that led to the shedding of so much blood. In a rather short period of time, we were able to defeat that regime, which had 80,000 troops.

We started with a few men. We disembarked the Granma with 82 men. After that we were only 12, less than 12, but we were not discouraged, and 25 months later we were able to defeat that force.

We only had 3,000 unarmed men, but that became our trade, and we were able to do our trade right, given the conditions of our country.

We later had to face other international problems stemming from the fight against U.S. aggression. We had to withstand a mercenary invasion, which cost us sacrifice and bloodshed. We were in the first trenches on the verge of a nuclear war in the year 1962. Those were the experiences we have had to live through up until today's world, which we call a unipolar world.

There used to be a bipolar world before. Of course, everyone has his own ideas about this.

I remember an anecdote by former Tanzanian President Nyerere. He was an extraordinary man. He used to say that when elephants made love, the grass suffered, and when the big ones fought each other [words indistinct], but we were still able to know the world when there was a balance.

Today, we see a world in which there is no balance and in which there is a lack of order in many parts. We see it in the newspapers every day. There is talk about a new order, a new order has been established, and from our point of view, this order is seldom discussed and often imposed. Our countries are living through an uncertain situation these days.

The famous Uruguay Rounds were approved, but no one knows the consequences of these rounds. No one knows what tariff and nontariff barriers will be imposed. Huge economic blocs are being created in the world, which are in competition with each other.

I would like to talk to you, Caribbean people, about these problems, because in a certain way the Caribbean people have had the fortune of being located between two worlds, between America, the United States, and Europe. The Caribbean people are skillful diplomats. There is no doubt about that.

Perhaps if nature did not give us great wealth — I am talking about mineral wealth, oil resources — with some exceptions, of course [laughter; Castro pauses]. Nature gave the Caribbean people small countries which are often the victims of natural disasters such as drought and hurricanes.

I am frightened every time the meteorologists speak about a hurricane on its way to the Caribbean. I think about the consequences, the serious damage.

When hurricanes hit the United States, Florida, Louisiana, and other states, if it causes $25 billion in damage, that is nothing. It is fixed with a few hours of work. They have a GDP of nearly $6 quintillion [seis trillones] or as we say in Spanish, millions of millions [millon de millones].

When a hurricane hits one of our islands, even if the island is a big one like Cuba, the damage is terrible. There is no insurance company in the world — perhaps you may want to create the first one — that can protect our countries against natural disasters. The premium would be so large that we would not have much money to pay the company. [words indistinct]

I see problems, such as the distance problem that make integration, trade, and other activities more difficult; however, I see that nature has given the Caribbean people so much talent or that God, as you may want to call it, has given the Caribbean people so much talent. We have gone from being the last countries in this hemisphere to gain our independence to being the wisest of all those who have gained their independence.

In the rest of Latin America, in 200 years of independence they have been unable to reach the understanding you have reached. They have not reached the unity and cooperation you have reached.

In that regard, they have become an example for the other countries of the hemisphere. You have become an example for all Latin Americans.

Right here in this conference, we have been working together, English-speaking countries and Spanish-speaking countries, also French-speaking countries, we cannot forget about them.

You have been able to achieve that with hard work, intelligence, and enterprising skills despite unfavorable political factors. Up until now you have turned those unfavorable factors into your favor internationally, but now the time of uncertainty has come. This is the era of uncertainty in which no one knows what will happen next in any part of the world.

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We had the experience and saw what happened with the defunct USSR. The disappearance of the USSR and the socialist bloc hurt us a great deal. We had good trade relations with them. We had good prices because we fought for those prices as you have fought for yours. The prices were beneficial for our economy. We lost all of that. We lost more than 70 percent of our imports. Imagine what it would be like to run a country and its education and health services, to keep the country working and in stable conditions amid a terrible blow such as the one we suffered in the economic field.

We have had to start over again like the phoenix bird. We have had to rise from the ashes at a time we call special period. We have already started to obtain some results. What happened in Europe and eastern Europe did not only hurt us. I think the entire world was hurt. When the Soviets reduced their production or when their production fell, all the aluminum that was left over was sent to the market.

All the wharfs in Europe were full of aluminum. All the steel they produced was sold and the wharfs of Europe were full of steel and other metals. Prices dropped. All the nickel they had left over was sent to the market. All the raw material they had was sold off at the market. This adversely affected the prices of basic commodities in many Third World countries. That is a reality. Not only that but their food production also dropped. As a result, food prices rose for all of us.

Before their collapse, the USSR used to produce more than 100 million tons of cereals. I do not have the exact figure off hand, but it was between 100 or 150 million tons. Yesterday I read a press agency report saying that Russia's cereal production for this year was between 48 and 50 million tons of cereal.

What will the result of all of this be? Will the prices of our basic commodities drop? Food prices will have to go up. You know that in general, wheat, oats, and barley are not produced in the tropics. Even corn is not the perfect crop for the tropics. It is better grown in the temperate zones. Our countries suffer the consequences of all of these things.

It is a time of uncertainty, wars all over, separatist movements in many regions of the world, and disintegration tendencies while the countries of the Caribbean and Europe, for example, are fighting to unite. This created uncertainty for the world and sacrifice for many countries. It brought upon us an uncertain future because even the most outstanding economists and Nobel Prize winners cannot explain certain phenomena taking place in today's world economies.

What happened with the financial crisis in Mexico? What is happening to the unemployment problems in the world? What is happening with these economic conflicts and crises, which are emerging?

Quite often things are not discussed at the World Trade Organization [WTO]. Things are rather discussed among countries. Their viewpoints are imposed on others. We have seen, for example, the disputes between the United States and Japan and the risks of an economic war. One day they fight over vehicles, the next day they fight over rice, another day they fight over electronic devices.

There is a constant threat of economic war in which the WTO is not playing a role. We are witnessing these events. We see unfair situations, for example, the ones that take place in Colombia and Mexico and other countries, in which they are being blamed for all the drug trafficking problems, however, in the United States no one is put in jail for the drug trafficking problem.

All the efforts, all the sacrifices are being demanded from the producing countries. Consumers, however, do not make a special effort to curb the problem. We are witnessing situations of injustice and of crisis, something economists cannot explain.

What happened in a country like Venezuela, for example, which has so many natural resources? What was the cause behind their crisis? What is happening in Central America? What could happen in Argentina if the famous tequila effect hits them? It has been necessary to spend $50 billion to face the financial crisis in Mexico and to attempt to find an explanation. An outstanding economist gives one explanation and another outstanding economist gives another. These are realities, and I do not say this in a pessimistic sense.

We, the Caribbean people, are proving that we are not pessimistic. We are optimistic people who are working for unity, to increase trade, transportation, and industry. I think you are a good example of someone doing a serious effort to increase industry. When I arrived in the country yesterday I saw many factories on the way to the city.

We, the Caribbean people, are working, reflecting, adopting ideas, and reaching agreements and resolutions. As I said, we are not powerful, we are small nations, and we have the problems we have described, but we have a spirit, a heart, and we have the talent. We must add that in the Caribbean there are higher levels of education than in the rest of Latin America.

When you check the health indices of the Caribbean, the education levels of the Caribbean, their management experience, and the management knowledge, you find

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indices that are far above those in the rest of Latin America even though they have been independent for 200 years. You have been independent for only a few dozen years. It is really encouraging to see the progress you have had in these years.

That is why — and I am going to stop here because I have gone on for too long — I want to tell you from the deepest corner of my heart that I feel a great appreciation for the Caribbean nations, I have a great sense of sympathy, affection, and trust for you. I feel honored that you consider the Cubans as your brothers, friends, and an integral part of this Caribbean world. We are willing to work with you, willing to cooperate with you, willing to receive from you all the ideas you may wish to convey to us, and willing to listen to all the proposals you may wish to make to us.

I am not going to talk about what we have done in this field but there has been a broad opening in Cuba. We are working in an orderly manner. We are working with a great sense of solidarity. I told Mr. Robinson that he would be received in our country whether or not he was a prime minister.

I also tell you that regardless of the brevity of this meeting and in spite of the programs and conferences, we will be waiting for you in Cuba — where we can talk and have lunch or dinner for a longer time — in order to have lots of time available so that we can then enjoy whatever we can offer to you there so that you can have a good digestion.

I thank the organizers of this program for allowing the speeches to take place before and not after lunch. That way you can eat more peacefully and digest your food better and guarantee your health.

This meeting has been really pleasant for me. I am sure that the meeting will be useful and I am sure I will never forget it. Thank you very much. [applause]

Parliament Begins Foreign Investment Bill Discussion

PA1908181095 Havana PRENSA LATINA in Spanish 0852 GMT 16 Aug 95

[Report by Javier Rodriguez]

[FBIS Translated Text] Havana, 16 Aug (PL) — The Cuban parliament has begun in this capital a broad process of discussion of the Foreign Investment Draft Bill sent by the government to Congress.

The Permanent Commissions of Juridical and Constitutional Affairs and Economic Affairs began yesterday, Tuesday, a series of debates that will be carried out throughout the country, before the aforementioned draft bill is discussed by the plenary of the National Assembly of the People's Government, beginning next 4 September.

Ricardo Alarcon, president of the legislative branch, explained that these discussions will allow Cubans not only to gain in-depth knowledge of such an important document but also to produce a first contribution from deputies to its definitive text.

The issue of foreign investments is today a key aspect in the battle between Cuba and its enemies, who are trying, through the Helms-Burton initiative, to tighten the U.S. blockade of our country, Alarcon stated.

The real aim of the new Cuban legislation is to promote foreign investment and what Cuba is doing in the face of the world's current situation is perfectly logical, he explained.

Ernesto Melendez, minister of foreign investments and economic cooperation, presented the initiative, stressing among its main objectives: giving clarity and security to the foreign investor.

The basic criteria contemplated, Melendez remarked, takes into consideration the reality that Cuba, subjected to a fierce blockade, may obtain appropriate benefits through foreign investments, on the basis of strict respect to sovereignty and national independence.

He then stated that the provision being debated is also based on the international practice on foreign investments and the changing internal and external conditions. The minister recalled that modifications to this type of legislation have also been made by several countries of the world.

The draft bill consists of four whereases, 59 articles, three temporary provisions, and two special and two final provisions.

Melendez underscored that it allows investments in different sectors, excluding defense, national security, and health and education services to the population.

In its definitions, the bill allows the existence of all-foreign capital enterprises, without Cuban partners, and regulates the hiring of labor, fundamentally through employment entities.

Other chapters deal with the free transfer of net profits and capital abroad, legislate on investments in the real estate sector, and establish amounts on profit taxes.

To expedite processing, the bill reduces the period set for the Cuban State to answer investment proposals, as well as the term for registering the corresponding investments, after they have been approved.

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This bill will be a contribution to strengthen our ties with the international community and financial centers, and it shows the seriousness of the opening policy of the Cuban economy, without renouncing socialist principles, Melendez explained.

The legislators who were present stated different opinions and proposals regarding the different aspects of the initiative, during a lively discussion.

At the meeting, together with the deputies comprising the two commissions, various guests from the Union of Jurists, the Society of Economic and Business Law, the Association of Economists, the Institute of Economic Research, and the Center of Economics Studies participated and spoke.

Alarcon Reaffirms Socialism, Encourages Foreign Investment

PA2008232195 Havana Radio Havana Cuba in Spanish 1300 GMT 20 Aug 95

[From the "Morning Information Review" newscast]

[FBIS Translated Text] Ricardo Alarcon, president of the National Assembly of the People's Government [ANPP], said that Cuba does not aim to run toward capitalism, instead, to save socialism, which is the nation's goal.

Alarcon stressed that it is the country's goal to encourage the participation of foreign investment in different productive areas, and it is clear that there is no possibility of national riches belonging to the people being appropriated.

Cuba's ANPP president spoke at a meeting with Havana deputies summoned to analyze the foreign investment draft bill that will be discussed by the ANPP beginning 4 September. The analysis, with broad participation by deputies, was mainly centered on the draft bill's most novel topics, such as creating enterprises with totally foreign capital, free transfer abroad of profits, real estate investments, free zones and industrial parks, and measures to protect the environment and the rational use of natural resources.

There was agreement that changes to the national economy and current world circumstances favor the Cuban decision to actively promote the investment of foreign capital on the basis of the strictest respect to national independence and sovereignty.

Cuba To Continue Promoting Economic Transformations

PA1908034695 Havana PRENSA LATINA in Spanish 1948 GMT 17 Aug 95

[FBIS Translated Text] Havana, 17 Aug (PL) — Foreign Ministry Spokesman Luis Delfin Perez said today Cuba will continue promoting economic transformations and foreign investment, which will benefit both Cuban and foreign businessmen.

During a routine news conference with domestic and foreign reporters, Delfin Perez said Cuba will do nothing that could hinder a greater participation of foreign capital in the country.

Delfin Perez said a new freshness will be imparted to these procedures and regulations as part of Cuban policy, in order to speed up processing of proposals, despite U.S. pressure of all kinds.

Asked about the effects the so-called Track II of the Torricelli law might have on the new law being debated in the Cuban parliament, he said the government is taking the risk, although aware of the consequences for the country.

We trust the potential and allure of investing in Cuba, where the industrial foundation and good technical and scientific conditions exist, will overshadow U.S. harassment.

In response to another question, he confirmed Cuba's participation at a meeting in Rio de Janeiro to discuss existing information on the assassination of President John F. Kennedy.

Delfin Perez said this event is not the first one of this nature, adding that a Cuban delegation headed by General Fabian Escalante will attend the meeting and will deliver data on the case, gathered by our investigators, taking into consideration that attempts were made to link Cuba to this action.

Government Takes Measure To Remedy Public Finance Situation

PA2208005595 Havana PRENSA LATINA in Spanish 1400 GMT 18 Aug 95

[FBIS Translated Text] Havana, 18 Aug (PL) — Thanks to a government measure designed to remedy [sanear] the public finance situation, as of today, Cuban citizens will receive discounts in their house payments if they make them in advance.

In an unprecedented step in the strategy to reduce excess liquidity, the Council of Ministers approved a

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25-percent reduction for all of those who pay off their entire debt in advance to the People's Savings Bank.

Those people who pay more than 60 percent of the debt will receive a 20-percent reduction on the amount set in 1985 by the General Housing Law, which made a large part of the population owners of the real estate they occupy.

At the request of the National Assembly (parliament), the measure sums up the group of regulations adopted by the Council of Ministers since last year, which states that the total amount of said debt exceeds 1 billion pesos (the same amount in dollars at the local exchange), the local press stresses today.

The Cuban Government is involved in a crusade to remedy the public finance situation amid the economic crisis being faced by the country following the unexpected loss of its leading economic partners — the socialist states in Eastern Europe — and the intensification of the U.S. blockade.

In 1994, excess money was quantified at approximately 11 billion pesos, a figure that, in slightly more than 12 months, was reduced by approximately 2.7 billion thanks to measures described as positive by observers.

The current regulations include the tax system — a novel one for a nation where perquisites and state subsidies were the rule — which provides for taxes imposed on self-employed people, a modality that has been incorporated into the scheme of the "redesigning" or rationalization of the economy.

Adviser Foresees 'Good' 1996 Sugarcane Harvest

PA2108170595 Madrid EFE in Spanish 2029 GMT 20 Aug 95

[FBIS Translated Text] Havana, 20 Aug (EFE) — The next sugarcane harvest will necessarily be better than previous ones, because the work in the fields has been greater and of a higher quality, said Ramon Castro Ruz, adviser to the Ministries of Sugar Industry and Agriculture.

In remarks to a local radio station, President Fidel Castro's brother highly praised the preparatory work in the sugarcane fields, in particular the weeding and fertilizing.

Ramon Castro Ruz, who for many years was in charge of a Havana dairy development plan, feels that the next harvest, which is now in the preparatory phase, "will be good" and predicted that the 1997 harvest "will be even better."

He noted that in all of the country's provinces (a total of 14) "we are seeing very strong and sturdy stalks, and so we can say this has been an exceptional year for the sugarcane industry."

In his opinion, the results of the sugarcane sector will pick up again until it can once again produce 8 million metric tons a year, as happened during the 1980's.

The sugar industry continues to be the main pillar of the Cuban economy, but in the past three harvests production dropped to half the levels it had reached years ago, when it produced from 7 to 8 million metric tons of sugar.

In fact, the last harvest yielded the worst results, as it was below the 4 million metric tons obtained in previous harvests.

Sugar Industry Ministry Builds Homes for Workers

PA1908160395 Havana Radio Havana Cuba in Spanish 1300 GMT 16 Aug 95

[From the "Morning Information Review" newscast]

[FBIS Translated Text] During the month of July, 4,456 homes for agroindustrial workers of the sugar sector were completed, with a goal of guaranteeing labor stability in that important sector of the Cuban economy. According to the program of the Ministry of the Sugar Industry in Cuba, by the end of the year, 15,200 homes will be built with alternative materials, of which at least 70 percent will be located in sugarcane growing areas.

Alberto Gallegos, director of the Mexico Sugar Mill in the western Province of Matanzas, highlighted that the construction of homes is a guarantee enabling the basic units of cooperative production and even the industry to meet the needs of the work force and to consolidate the stability of the personnel working in this sector.

Conventional, Low-Cost Homes Will Be Built in Havana

PA2208031395 Havana Radio Rebelde Network in Spanish 1700 GMT 19 Aug 95

[FBIS Translated Text] Some 11,000 homes will be built in this capital to resolve the critical situation of an equal number of family homes that are on the verge of collapsing. The plan in Havana consists of building conventional low-cost housing with low material costs and low energy consumption. The homes will be of a modified Sandino prefabricated type. The program will begin in the fourth trimester and will be completed in two years.

At this moment, work is under way on the location of the land, while the constructive technology and projects are being defined. Initially zones which are already

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urbanized, such as Maribel Roa on the outskirts of the capital, have been selected.

The party and government provincial directorate, in addition to sponsoring a construction project aimed at completing 4,298 homes, will also repair buildings, bedroom communities, shelters, and refurbish buildings.

Haiti

Aristide Rules Out Possibility of Cancelling Elections

PA2108195095 Port-au-Prince Radio Metropole in French 1045 GMT 21 Aug 95

[From "The Morning Newscast" — passages within quotation marks in Creole]

[FBIS Translated Text] A little more from within the country. [Concerning] the political crisis, the Haitian post-electoral crisis and the steps of the U.S. Government, I remind you that U.S. Deputy Secretary of State Strobe Talbott made a 48-hour visit in Haiti last week in order to find a solution to the post-electoral crisis.

Mr. Talbott presented to the Haitian officials an eight-point plan to solve the crisis. The documents that were handed over to the Provisional Electoral Council [CEP] suggest holding elections again in certain localities of the country, the setting up of the Monitoring and Electoral Control Unit, and restructuring the CEP after the second round of the elections.

Mr. Strobe Talbott was received by President Jean-Bertrand Aristide. The deputy secretary of state also met with political leaders in order to prompt them to reintegrate to the electoral process in return for certain guarantees.

But be aware that Jean-Bertrand Aristide will not allow that they go back over the 25 June elections. Once again, the Haitian president invited the political parties of the opposition to participate in the second round of the elections. The president of the Republic says he is ready to dialogue with the political leaders to improve the political climate. For what must be called... [pauses] For the head of state, we must forge ahead. Regarding the elections, Rotschild Francois, Jr. tells us.

[Begin recording] [Francois, in progress] ...for the presidency to intervene in favor of cancellation of the 25 June ballot, the possibility is zero. This sentence uttered by the president of the Republic can be summarized like this: No to any going back over, yes to the continuation of the electoral process. While making these statements on 19 August in the presence of U.S. Secretary of the Interior Bruce Babbit, Mr. Aristide made it a point of stressing that he respects the political leaders of the opposition. The president said he is willing to meet again with representatives of the political parties that decided to boycott the rest of the championship. This is a new covert advance sent to these political parties by President Jean-Bertrand Aristide. I remain convinced, he said, that we can work in concerted action with the political parties for a better second round of the elections in respect and dialogue, President Aristide added.

[Aristide] "Good elections are what is necessary so we can have good democracy. We took a good step on 25 June. The second one must be even better. Fortunately, the partial elections were not so bad. I invite and encourage the political leaders to keep having dialogues between themselves and with the CEP so they manage to find together good conditions to realize good elections."

[Francois] Furthermore, the head of state acknowledged that political pluralism is indispensable within the framework of the functioning of a democratic system. On that score, the Haitian president tries to make understand that lavalas will not be the only political family which will be represented within the Haitian Parliament.

[Aristide] "First, we see there were candidates from several other political parties who participated in the partial elections, and they keep saying that they will participate in the second round. Then, we already have senators who are not lavalas senators who have already been elected. So, we are going to have a Parliament with the Movement for the Organization of the Country, the Lavalas Political Organization, and the Open the Gate Party that form the lavalas [platform]. You are going to have a Parliament with the senators of other parties who have already been elected and other citizens have chances to be elected in the second round."

[Francois] Regarding the relations between the presidency and the political parties, President Aristide denies wanting to try to atomize the political formations of the opposition. The head of state asserts the he has always worked in favor of the reinforcement of the political parties in the country.

[Aristide] "The president and his colleagues have always shown their willingness to encourage the birth of political parties and the reinforcement of the already-existing political parties. By the way, we have already agreed with the CEP to pay half the expenses made by the political parties that participate in the elections after the second round. This is a straight, clear and firm demonstration of our willingness to encourage the political parties."

[Francois] President Jean-Bertrand Aristide wishes keenly for the presence of all political parties in the

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second round of the electoral competitions on the date which will be set by the CEP, while pointing out that he will not call for a repeat of the 25 June elections. There is no way of knowing whether this statement by President Aristide is going to contribute to stop the degradation of the political environment noted in the country since the holding of the controversial elections of 25 June. [end recording]

PAN, MOP, MKN Seek National Conference

PA2108195295 Port-au-Prince Radio Metropole in French 1045 GMT 21 Aug 95

[From "The Morning Newscast"]

[FBIS Translated Text] Three political parties, including PAN, the Genuine National Party; the National Cooperative Action Movement, MKN; and the Bel-Air branch of the Movement for the Organization of the County, MOP; suggest holding a national conference in order to look for a solution to the post-electoral conflict.

The leaders of these three parties, Serge Beaulieu, Volvick Remy Joseph, and Greger Jean-Louis, say in a joint communique that the fraudulent nature of the 25 June elections has exacerbated the conflict.

We note with apprehension the current political fermentation, which is similar to the announcement that a possible fratricidal confrontation will take place tomorrow, write the leaders of these parties. They consider that a national rescue means an invitation to dialogue must be extended immediately to all sectors in the nation.

Working Group Created To Study Election Issues

PA2208044095 Port-au-Prince Radio Metropole in French 1045 GMT 21 Aug 95

[From "The Morning Newscast"]

[FBIS Translated Text] A working group in charge of studying the contentious issues arising from the 25 June elections has been created within the Provisional Electoral Council [CEP]. This working group made up of four members was set up at the conclusion of the meetings between the CEP and U.S. Deputy Secretary of State Strobe Talbott, who was visiting Port-au-Prince last week. The conclusions of the working group should allow the CEP to identify the areas where the elections might be reorganized. Four CEP members are part of the group. They are Mr. Delouis Domond, Mr. Maurice Jeudy, Mrs. Marie-Laurence Jocelyn Lassegue, and Mrs. Jessy Chancy Manigat. We learned that the latter has refused to participate, to sit in the group. In fact, in a letter to the secretariat general of the CEP, Mrs. Jessy Chancy Manigat challenges the validity of the group. I could not support in any way this commission whose purpose is allegedly to challenge the Haitian people's right to choose their representatives.

Rank-and-File Organizations Dismiss FNCD Spokesmen

PA2208043695 Port-au-Prince Radio Metropole in French 1045 GMT 21 Aug 95

[From "The Morning Newscast"]

[FBIS Translated Text] There is a crisis within the National Front for Change and Democracy [FNCD]. The spokesmen of this party have been dismissed by the rank-and-file and thrown out by the Parent brothers as well. The FNCD has been experiencing an internal conflict since the 25 June elections and has faced a crisis of authority. The two spokesmen of the front have been dismissed by the rank-and-file organizations. In a letter sent to Messrs. Evans Paul and Turneb Delpe, these organizations declared that they no longer acknowledge the authority of the two spokesmen. These organizations say they want to safeguard the unity of the front and protect the assets of the elections of 16 December 1990 and 20 January 1991.

Furthermore, the Parent brothers have announced their withdrawal from the FNCD. Jean-Jacques Clark Parent and Claire Lydie Parent have announced the formation of their own party, the Haitian Democratic Party [Parti Democrate Haitien, PADEMH].

As for the ousting of the two spokesmen of the FNCD, Evans Paul and Turneb have contested the decision of the rank-and-file organizations of the front. According to the two spokesmen, the government is allegedly financing dissident movements within the FNCD.

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President Appoints Javier Bonilla Labor Secretary

PA2108234795 Mexico City LA JORNADA in Spanish 21 Aug 95

[Following received via Internet]

[FBIS Translated Text] President Ernesto Zedillo has appointed Javier Bonilla Garcia as the new Labor and Social Welfare secretary, replacing Santiago Onate Laborde.

A Presidential communique stated that the new official will take office on 21 August. Government Secretary Emilio Chuayffet Chemor will swear him in on behalf of the executive branch.

Bonilla, 57, has an economics degree. In addition, he has vast public service experience in the labor and social security fields. He also worked as an economics professor at the School of Economics at the National Autonomous University of Mexico (UNAM) and has participated in several forums on the country's socioeconomic development, the national statistics service, wage policies, and employment problems.

Commerce Secretary on Peso's Value, Financial Problems

PA2108182995 Mexico City NOTIMEX in Spanish 0100 GMT 16 Aug 95

[FBIS Translated Text] Guadalajara, Mexico, 15 Aug (NOTIMEX) — The Mexican currency, the peso, will preserve its value against the dollar to maintain its competitiveness, Herminio Blanco Mendoza, head of the Commerce and Industrial Development Secretariat (Secofi), stated today.

Chairing the installation of the Council of Micro and Small Industry and the launch of the "Jalisco Exports" program in Guadalajara, capital of Jalisco State, Blanco said that by no means, will we allow the peso to overvalue as happened in the past.

The dollar's purchase and sale prices were quoted in Mexico City today at 6.05 pesos and 6.15, respectively.

Blanco Mendoza admitted that the financial problems, particularly those pertaining to overdue portfolios with the banking sector, constitute the most sensitive part of the economic crisis being faced by the country and which translated into unemployment and an economic slowdown.

"The economic slowdown will last throughout this year and as a result, GDP will fall," although there are no estimates yet on how much it will decline, Blanco Mendoza remarked.

Fortunately, he stressed, the programs launched by the federal government have enabled it to make an appropriate diagnosis of the problem to find expeditious solutions that would lead to the country's financial stability." [quotation marks as received]

Proof of this, he emphasized, is that the domestic supply was maintained at the rate of 98 percent with the national economic plan, and this circumstance benefits Mexican consumers.

Blanco Mendoza added that in the first half of the year, the federal government worked with 35 percent of its budget and for the rest of 1995, it plans to use the remaining 65 percent, especially to promote exports and the growth of the manufacturing sector.

Secretariat Reports 10.5-Percent GDP Drop 2d Quarter

PA2108160195 Mexico City NOTIMEX in Spanish 1737 GMT 16 Aug 95

[FBIS Translated Text] Mexico City, 15 Aug (NOTIMEX) — Mexico registered in the second quarter of 1995 a 10.5-percent drop in its Gross Domestic Product (GDP) and a 5.8-percent real annual reduction, the Secretariat of Finance and Public Credit has reported.

The 10.5-percent drop in the second quarter of the year contrasted with the 0.6-percent growth observed in the same period for 1994, the secretariat said upon presenting a report on the country's economic situation.

The secretariat explained that the drop in the second quarter was partially due to the fact that between last March and June there were fewer working days compared to the same period last year.

However, the Secretariat of Finance and Public Credit considered that the reduction of economic activity "tends to slow down and a reversion in the trend can be expected for the second half of the year."

The report added that with regard to the financial balance of the federal government, a 7.072-billion new pesos (approximately $1.140 billion) surplus was registered during the second quarter of this year.

This favorable balance contrasted with the deficit observed for the same period last year, which totaled 1.479 billion new pesos($238 million).

The primary surplus [superavit primario] totaled 32.061 billion new pesos ($5.161 billion), which represented a 93.6-percent real growth.

"These results originate in the adjustment of the federal government finances in keeping with the guidelines of the Emergency Economic Program" implemented

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last March by President Ernesto Zedillo to revert the December crisis.

The document stressed that the net foreign debt during the first semester of 1995 totaled $4.2808 billion, placing the net foreign debt in $83.8978 billion at the close of June of this year.

This debt, the secretariat explained, resulted from the use of $8 billion by the government for the Stabilization Fund, which was partially compensated by a foreign debt of $3.7192 billion.

Consequently, what the government used for the Stabilization Fund accounts for 30 percent of the amount authorized by the Mexican Congress which totaled $26.5 billion.

The Secretariat of Finance and Public Credit reported that the $5 billion net foreign debt authorized by Congress has not been used, while the net foreign debt had a cutback of over $3.5 billion.

In the second quarter, the government paid 12.5925 billion ($2 billion) worth of gross interests on the foreign debt, an amount that differs from the amount paid in the first quarter by approximately $755 million.

The above is explained by the high interest rates registered in the sale of government securities between January and March, which had an impact on the next three months.

The total net public debt as a percentage of the GDP went from 45.8 percent in December of 1994 to 40.5 percent by the end of June 1995.

Meanwhile, the internal public debt as a proportion of the GDP was reduced by the amortization of Treasury Bonds (Tesobonos) and the fiscal surplus, going from 13.1 percent of the GDP to 8.5 percent.

PRD Issues 'Proclamation to the Nation'

PA2208020395 Mexico City Radio Red Network in Spanish 0000 GMT 16 Aug 95

[Report by Rafael Aceves, from the "The Night Monitor" newscast]

[FBIS Translated Text] Within the framework of the (Iqueiros) Cultural Multiforum, national leaders, deputies, senators, state leaders and heads of the different factions of the Party of the Democratic Revolution [PRD] gathered to present what they called a proclamation to the nation.

In saying that at this crucial time of crisis in Mexico what is least needed are agreements behind closed doors and commitments reached in secrecy to exclude the national opinion, the PRD has asked all political, economic, and social groups of the country, as well as the president of the Republic to discuss a great national pact to lay the foundation for an emergency plan that will allow us to overcome the situation with peace, stability, democracy, justice, and freedoms.

The national PRD proclamation meeting was attended by all PRD national and state leaders, as well as lawmakers. In this meeting, participants set aside differences and contradictions within the PRD, at least publicly, to convey an image of unity and strength. This was confirmed by the hug between Cuauhtemoc Cardenas and Cristobal Arias, PRD governor candidate in Michoacan. They prolonged this hug for several minutes posing for photographers and cameramen.

The party of the Aztec sun [PRD emblem] defined its emergency political and economic program in five points:

[Begin unidentified PRD member recording, broadcast in progress] ...of a new economic policy aimed at reactivating growth. To this end, the foreign debt must be renegotiated so as to have the necessary resources for producive investment. Additionally, this would allow us to implement an urgent employment program.

The development of a long-term industrial policy is also required, as well as the equitable distribution of income, support to national bank debtors, and the refinancing of producers' debts. [end recording]

In addition, the PRD proposed the formulation of a social policy to implement an emergency program in the areas of health, employment, education, and nutrition.

In order to end impunity and corruption, the party of the Aztec sun said a new justice system and the solution of electoral conflicts in Yucatan and Tabasco are required, as well as punishment for Ruben Figueroa and the resolution of the Route 100 conflict.

In the document, the PRD also demanded a continuation of dialogue with the EZLN [Zapatist National Liberation Army] and the creation of a new political system to guarantee pluralism and an alternate transfer of power through a great national dialogue.

[Begin unidentified PRD member recording, broadcast in progress] ...the commitment of the federal government to meet the legitimate demands of the EZLN and the people of Chiapas, continuing the negotiation and dialogue as the only ways to resolve the conflict experienced since January of 1994.

In this new political order, the full validity of the rights basic to human dignity, pluralism, alternate transfer of power, autonomous organization of society, the

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establishment of llmits to presidential powers, regional and municipal strengthening, and a fair and equitable electoral legislation must be guaranteed. [end recording]

The PRD concluded that this national agreement also requires an immediate response by President Ernesto Zedillo, who must show his willingness to undertake the above changes before the presentation of his first government report.

In a separate interview, Cuauhtemoc Cardenas affirmed that the creation of this transition government proposed by his party does not call for the resignation of the chief executive provided that he leads his government in accordance with the nation's and the people's interests.

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Guatemala

Rios Montt Leaves Congress Post, To Go Before Tribunals

PA2108221795 Guatemala City Televisiete Television in Spanish 1900 GMT 21 Aug 95

[From the "Channel Seven News" newscast]

[FBIS Translated Text] Retired General Efrain Rios Montt today left his post as Congress president to go before the justice tribunals, after a demand for a preliminary hearing brought against him was deemed warranted. Rios Montt is experiencing a very difficult situation because, in addition to the preliminary hearing, he must face the existing problems within his party, after his registration as presidential candidate and that of his wife was denied.

For Rios Montt, who must be content with directing his party's campaign, the system is using all mechanisms to leave the FRG [Guatemalan Republican Front] out of the political race.

Lizardo Sosa Takes Charge as Congress President

PA2108232895 Guatemala City PRENSA LIBRE in Spanish 17 Aug 95 p 3

[FBIS Translated Text] Lizardo Sosa Lopez, second vice president of the Congress and member of the Guatemalan Christian Democracy, DCG, will take charge as Congress president on Monday, 21 August and will be in the post until 21 December because of the leave of absence requested by Congress President Jose Efrain Rios Montt.

Sosa Lopez, who arrived late in Congress yesterday and was caught by surprise with the news, said it would be an honor for him to fulfill the commitment he made when he was elected deputy.

I was thinking about retiring to work on the campaign but the circumstances have forced me to take charge as president of the Congress in the midst of a difficult moment, because the work to be carried out by Congress will be done within the framework of the electoral campaign, Sosa Lopez, who is also vice presidential candidate for the DCG, UCN [National Union of the Center], and PSD [Democratic Socialist Party] alliance, said.

He said he will tell alliance members of the new responsibilities he is taking on because these will prevent him from spending more time on the electoral campaign. He said he will seek a consensus among the bloc leaders to fulfill his commitments.

*The law will be my guide, and I hope the Congress president will resolve his legal situation soon so that he can return to his post as soon as possible; otherwise, I will carry out my duties in this post as long as necessary,*he said.

'Positive' Advance at End of Puebla Talks

PA2108200895 Mexico City NOTIMEX in Spanish 2048 GMT 19 Aug 95

[FBIS Translated Text] Puebla, Mexico, 19 Aug (NOTIMEX) — Representatives of the government and the guerrilla organizations of Guatemala made a positive advance today at the conclusion of four days of deliberations behind closed doors within the framework of the Guatemalan peace talks.

UN mediator Jean Arnault reported at a news conference that the meeting held in Puebla, located 110 km east of Mexico City, focused its attention on the discussion of the Guatemalan agrarian situation.

Arnault said today that both parties agreed to divide this topic into four segments: social investment, administrative reform, search for resources, and agrarian situation, in order to speed up the peace dialogue.

Although no agreement was reached on the topic under discussion, the negotiators of the government and Guatemalan National Revolutionary Unity (URNG) noted that important progress was made and agreed to meet in Mexico again from 28 to 30 August.

On behalf of the URNG General Command, Pablo Monsanto reaffirmed that the Guatemalan insurgency maintains its position expressed on 5 April on the need for constitutional changes in order to solve the agrarian problem.

Hector Rosada, head of the Guatemalan Government delegation, said that his government is willing to accept the reforms in question if they are viable, but warned that many of the points in the agenda involve long-term changes, changes that could take one or two decades.

However, Rosada stated that the progress in the dialogue was important and reiterated that a good agreement on the issue discussed in Puebla could lay the groundwork for the resolution of the agrarian problem in his country.

A few weeks ago, the United Nations presented a draft document on Socioeconomic Aspects and the Agrarian Situation, but it was rejected by Guatemala's business sector; consequently, the government and guerrilla delegations will now work on a new text.

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Presidency Secretary on Human Rights Ombudsman's Remarks

PA2108202695 Guatemala City Televisiete Television in Spanish 1900 GMT 18 Aug 95

[From the "Channel Seven News"]

[FBIS Translated Text] Presidency Secretary General Hector Luna Troccoli has talked about the remarks made by Human Rights Ombudsman Jorge Mario Garcia Laguardia, who had allegedly complained that he does not receive enough support from the central government.

[Begin Luna recording] In the specific case of Human Rights Ombudsman Garcia Laguardia — whom I respect very much — he has said, without a doubt, that he does not agree that Copredeh [Presidential Commission for the Coordination of Human Rights Affairs] should play a role regarding human rights matters.

However, this has been unfortunately the role of this organization for several years. It is true that Copredeh has been now reinforced, and it has been given a higher priority because both the Guatemalan Government and the Guatemalan people are concerned over the negative aspects that still prevail regarding human rights, therefore, I believe this is a legitimate concern.

Copredeh is indeed a government institution; we are not denying this. Its makeup is clearly established; it is not hidden. All of you may visit its headquarters whenever you want. Reporters have attended its meetings, its opening session, swearing-in ceremonies, and so on. In other words, this is not a secret organization. It is indeed a government organization and it was created in response to the government's concern over human rights, an area that has been strengthened.

The human rights ombudsman has particularly referred to the economic aspect and has claimed that, to a certain extent, the Human Rights Ombudsman's Office has not received the economic contributions that Copredeh has received. [end recording]

Nicaragua

Cuadra: New DEA Office Not To Carry Out Operations

PA2208030495 Managua BARRICADA in Spanish 17 Aug 95 pp 1-2

[Report by Noel Irias]

[FBIS Translated Excerpt] Army Commander in Chief General Joaquin Cuadra yesterday said the opening of a provisional office of the U.S. Drug Enforcement Administration (DEA) in Managua is to exchange information not to carry out operations.

Gen. Cuadra noted Nicaraguan authorities are the only ones entitled to organize operations against drug trafficking.

Nevertheless, Gen. Cuadra emphasized that the DEA has an enormous quantity of information on routes, airplanes, and people involved in international drug trafficking and that this is essential in the fight against the drug cartels.

"Without this agreement — to open a DEA office — we could not have access to this information," said Gen. Cuadra, after receiving a donation of fabric from the Taiwanese Government.

Gen. Cuadra believes it is unlikely that a situation similar to the one in Colombia and Bolivia, where the DEA has played a controversial role in the context of internal affairs, will take place here, because Nicaragua is used only for transit and the agreement with the U.S. Government is specific. [passage omitted]

Panama

President Not To Discuss Bases Renegotiation With Clinton

PA2208011795 Panama City Telemetro Television Network in Spanish 1730 GMT 21 Aug 95

[From the "Telemetro Reports" newscast]

[FBIS Translated Text] Panamanian Foreign Minister Gabriel Lewis Galindo has disclosed that the topic of the renegotiation of the military bases has not been included on the agenda of the upcoming Clinton-Perez Balladares meeting.

The foreign minister, who this past weekend attended a meeting of the Caribbean area foreign ministers, delivered statements to "Telemetro Reports" on the discussions held at that meeting.

[Begin Lewis recording] We have managed to get the hemispheric countries interested in looking toward the Caribbean and giving more attention to the nations that are an important part of the OAS and that also share common problems with us. [end recording]

Foreign Minister Lewis Galindo also pointed out that the renegotiation of the military bases is not part of the agenda of the meeting Panamanian President Ernesto Perez Balladares and U.S. President Bill Clinton will hold next month.

[Begin Lewis recording] If the United States proposes it, we will talk about it, we will study what it is proposing, and then we will be able to voice an opinion. However, I feel it is difficult to give an opinion beforehand on

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something that has neither taken place nor that we know about. [end recording]

This will be the second time that the Panamanian and U.S. presidents will meet. According to Foreign Minister Gabriel Lewis Galindo, the agenda is still in the draft stage and the main topic is the orderly transition of the Panama Canal.

Agricultural Minister: Sector To Receive $45 Million

PA2108203595 Panama City Circuito RPC Television in Spanish 1730 GMT 19 Aug 95

[Report by Luis Alberto Gonzales; from the "Midday Television News" newscast — speaker identified by caption]

[FBIS Translated Text] More than $45 million will be allocated to the agricultural sector in 1996 as part of the economic modernization plan of the country.

[Begin Agricultural Minister Carlos Sousa Lennox recording] We have done a preliminary evaluation of what will represent approximately $45 million to be allocated in 1996, which will result in the modernization and adequacy of the different elements in the globalization process of the economy and transformation of producers in the production sector. [end recording]

Sousa Lennox noted that the Inter-American Development Bank aid, allows 16 foreign and 24 national experts to work in different projects: drainage, technology implementation, marketing and title deed certification.

Nevertheless, he added that experts will guide and facilitate the work of the producers, but stressed that responsibility for the production will fall on the private sector.

During a working meeting with producers from all over the country, Sousa Lennox seized the opportunity to deliver equipment to improve milk production in Veraguas and Central Provinces.

Free Zone Companies Investigated for Money Laundering

PA2108190795 Panama City EL PANAMA AMERICA in Spanish 19 Aug 95 p 1A

[Report by Juan Manuel Diaz C. and Arnulfo Barroso]

[FBIS Translated Text] A legal source has disclosed that the Office of the Drug Prosecutor is investigating some 45 companies of the Colon Free Zone allegedly involved in laundering money obtained from a covert operation carried out by Canadian authorities.

The source pointed out that the investigation covered an undetermined number of accounts of companies from the Colon Free Zone who reportedly received checks as a result of the covert operation carried out by the Canadian authorities.

It was disclosed that so far the authorities have arrested three Lebanese businessmen who allegedly cashed checks from that operation.

Meanwhile, lawyer Carlos Carrillo Gomila criticized the manner in which the Office of the Drug Prosecutor has conducted the investigations inasmuch as it may harm the image of the Colon Free Zone.

Carrillo pointed out that the authorities do not have any specific evidence on the alleged link these companies may have with the irregularities, and have rushed to issue arrest warrants.

The lawyer described the actions of the Office of the Drug Prosecutor during the investigations as "irresponsible" inasmuch as they may seriously affect the 45 companies being investigated.

He added these actions might lead to a growing insecurity in the operations of the free zone companies in view of the way the Attorney General's Office has handled the investigations.

The Canadian authorities used the International Monetary Center of Montreal to carry out a covert action in which a large sum of money was received for paying the value of drugs supplied by covert agents.

During the operation, over 1,500 checks were issued for the illegal operation. According to the Canadian authorities, 99 checks were deposited in various accounts of the Colon Free Zone.

Meanwhile, Colon Free Zone Manager Victoria Figge said that the statements made by U.S. Charge d'Affaires John Bennett to the effect that the free zone plays an important role in piracy of trademarks are exaggerated.

"I think that Mr. Bennett's comments, although based on the behavior of two or three companies, are somewhat exaggerated for a diplomat to point out or centralize the whole problem on the Free Zone," she emphasized.

She added she is aware of only two suits for piracy presented in the Panamanian courts against companies of the Free Zone and she pointed out that 1,200 businesses operate in this area while approximately 500 have representatives there.

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Argentina

Menem Rejects Possibility of Economic Protection

PY2108193995 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0249 GMT 21 Aug 95

[FBIS Translated Text] Buenos Aires, 20 Aug (NA) — President Carlos Menem said tonight: "If we implement (economic) protection, as some people want, we would be reviving a period that has been totally overcome and would prevent our country from growing as fast as the rest of the world."

Menem emphasized that "protection" against monopolies or dumping "is guaranteed by international law." Nevertheless, he refused to implement a more protectionist policy for the domestic economy. Two weeks ago the Argentine Industrial Union (UIA) raised this possibility which caused controversy between [Buenos Aires] Governor Eduardo Duhalde, who supported it, and Economy Minister Domingo Cavallo, who emphatically rejected it.

During his habitual interview sponsored by the media secretariat, Menem confirmed his refusal to implement policies to protect some industrial sectors.

The president noted: "To protect would involve preventing the possibility of our country growing with the rest of the world, with blocs like Mercosur [Common Market of the South], NAFTA, the EU, or the Asian Countries."

Menem also denied that the economy minister's alleged political ambitions are raising doubts among foreign investors.

Menem emphasized: "Figures show the opposite. During our administration we have received $42 billion in investments. Over the past 12 months alone we have received $15 billion as a result of economic opening with a strong political leadership."

Menem added: "I want my associates to be experts in their areas, but I also want them to become acquainted with politics."

The president ultimately confirmed that "the only solution" for the provincial banks with financial problems is privatization.

Menem said: "Deficit-laden public or private organizations can no longer exist in Argentina."

Attempts To Collect Cuba's $1.2-Billion Debt Viewed

PY2208012895 Buenos Aires CLARIN in Spanish 19 Aug 95 p 16

[FBIS Translated Text] Having managed to obtain an official acknowledgement of the Fidel Castro regime's outstanding debt with Argentina, the latter decided to start negotiations with Cuba to try to recover as much money as possible from that country.

Rafael Iniesta, the investment under secretary and BICE (Bank of Investment and Foreign Trade) director, traveled to Cuba last week to negotiate the repayment of Cuba's debt and to sign an investment promotion agreement.

Argentina's offensive to try to collect part of the $1.2 billion Cuba owes it will be fully launched on 22 August with the arrival in Havana of Jorge Campbell, international economic relations Secretary.

After two years of negotiations with BICE officials, the Cuban Government officially acknowledged a total debt to Argentina of $1.2 billion.

Cuba incurred this debt through the purchase of Argentine exports at the beginning of the 1970's.

The BICE became the creditor with regard to this debt two years ago, when the state ceded Cuba's pending debt to it as part of its capital.

The first step of the negotiations designed by Argentine economic authorities contemplates the signing of an investment promotion agreement. This agreement would give Argentine investors the following guarantees:

— Capital entering Cuba will be accorded the same treatment as domestic investments.

— A "most-favored-nation" clause will be applicable for Argentina.

— A mechanism ensuring the repatriation of capital and the settlement of controversies will be established.

Bolivia

Road Bases Along Bioceanic Corridors Outlined

95SM0462A La Paz PRESENCIA in Spanish 25 Jul 95 p 7

[Article: "Bolivia, A Country of Few Roads"]

[FBIS Translated Text] Bolivia has 50,419 kms of roads, of which only four percent are paved, while 63.7 percent are dirt roads and 32 percent are graveled. Because of its extraordinary geographic location, the country has

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the potential to become the connective axis between the two oceans, connecting the exporting corridors, but the poor roads militate against that possibility.

Nevertheless, the previous and current governments have assigned a high priority to investment in highways to convert Bolivia into the axis of exporting bioceanic corridors. Never before has so much been invested in highways as in recent years. Meanwhile, other countries, such as Chile, seek to get ahead of Bolivia's efforts, assisted by their excellent road systems.

At present, 1,285 kms of roads and highways are under construction, with a total investment of $377 million. Another 578 kms are being improved and repaired, with an investment of about $80 million, according to official data from the National Service of Roads.

The most important projects are in the highway network that makes up part of the bioceanic corridors.

1. Oruro — Pisiga (paved) 246 kms 70 currently under study, it will link up with the ports in Chile.

2. Rio Seco — Desaguadero (paved) 94 kms, it will link up with the ports of Ilo and Matarani in Peru.

3. Santa Cruz — Trinidad (paved), 120 kms, 67 percent completed.

4. Mendez Bridge — Potosi (paved) 109 kms, 82 percent completed; it forms part of the Transchaco route.

5. Palmar Grande — Yacuiba (paved) 60 kms, 79 percent completed; it will connect with Argentina by highway.

6. Camiri — Palmar Grande — Boyuibe — Camatindi, connects the entire Chaco; the project is 90 percent completed.

7. Bermejo — 19 kms, 19 kms form part of the highway Tarija — Bermejo —Argentina.

8. Patacamaya — Tambo Quemado, 56 kms, 28 percent completed; it will connect La Paz, Cochabamba, and Santa Cruz by highway with the ports of northern Chile.

9. Cotapata — Santa Barbara (graveled), 49 kms; it connects La Paz with Los Yungas, and forms part of the corridor that will go to Brazil.

10. Machacamarca — Pazna, 49 kms; it will connect the highway with the Chilean ports. Repairs and improvement.

Among the most important projects for the repair and improvement of roads are the following:

1. Cochabamba access — Chimore, 258 kms (paved); 70 percent completed, the remaining stretch to connect Cochabamba with Santa Cruz by highway.

2. Tumupasa — Ixiamas, north of La Paz, 65 kms, 93 percent completed.

3. Concepcion — San Ignacio, Santa Cruz, 171 kms.

4. Sabaya — Pisiga, Oruro, 42 kms.

5. Sucre — Yamparaez, Chuquisaca, 29 kms.

Of the 50,419 kms of National Road Network (end of 1993), 7,577 kms (15 percent) belong to the Basic Network, 6,107 kms (12.11 percent) to the Complementary Network, and 36,735 kms (72.8 percent) to the Local Network. The Fundamental Network includes highways that link departments or that have international connections, those that connect development centers, and those of strategic importance for national defense. The Complementary Network contains provincial roads, and the Local Network consists of access roads to rural communities.

Santa Cruz occupies first place with 638 kms of paved roads, followed by Cochabamba with 636 kms; La Paz with 298 kms; Oruro, 188 kms; Potosi, 93 kms; Tarija, 75 kms; Chuquisaca, 61 kms; Beni, 37 kms; and Pando with 2 kms.

The Corridors

During the next decade, the markets of Asia and Japan will become Latin America's principal markets, and the Pacific is the shortest route to those countries. Brazil is the country most interested in linking up with the Pacific through Chile and Bolivia. It is estimated that Brazil could move more than a hundred trucks a day through Bolivian territory to bring its products out to the Pacific ports—rather than doing it through the Atlantic, which is the longer route, and therefore the more costly.

At present, the route furthest advanced is the corridor to northern Argentina. In two more years, La Paz and Buenos Aires will be connected by a highway. The other route that still remains to be completed is Santa Cruz — Puerto Suarez. Planning calls for construction of a highway. Meanwhile, the rail network that connects both cities with Corumba, Brazil, is being used.

The Foreign Ministry says that there are many options for corridors, and that in time Bolivia could become the connecting axis for various continental bioceanic corridors.

Minister: Capitalization To Generate $2 Billion

95SM0462B La Paz PRESENCIA in Spanish
14 Jul 95 p 1

[Unattributed article]

[FBIS Translated Text] Minister of Economic Development Jaime Villalobos estimated today that the cap-

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italization of six state-owned enterprises will generate a direct investment of $2 billion, in addition to new financing that will be attracted by the plan.

"It is an injection of capital for the expansion of economic activity in our country," said the minister, and commented that the process of capitalization and privatization of state companies "is going well."

Villalobos spoke at the Hotel Los Tajibos, at the Second Conference of the Magazine LATINFINANCE BOLIVIA, which was attended by investors, businessmen, experts, technicians, and politicians from the financial world of several countries.

The purpose of the meeting was to examine the state of the Bolivian financial system and economic development in relation to the capitalization process of state enterprises.

The minister said that reforms in the hydrocarbon, mining, transportation, communications, and other sectors will generate a flow of capital that will revitalize the economy.

Villalobos said that the transfer of the National Electricity Enterprise (ENDE) had been transparent. He added that ENDE's workers had come out ahead with the transfer and that the new strategic partners of the company are three American firms of international prestige, whose responsibility it is to administer ENDE for the purpose of generating more wealth "for themselves and for Bolivians."

While emphasizing that, in accordance with legal requirements, administration is the responsibility of the strategic partner, the minister pointed out that the Bolivian shares are held by pension funds that have as their purpose "to make the value of the Bolivian shares grow for the benefit of Bolivians, so that when we reach old age, we will receive an individual savings account from capitalization."

The minister said that "new Bolivians will also enter the system of old-age pension funds as is happening in Chile, where funds grew until they formed social security systems." Speaking of new enterprises to be capitalized, the minister explained that after ENDE, other firms that will follow in chronological order are LAB [Lloyd Bolivian Airlines], Entel [National Telecommunications Enterprise], ENFE [National Railway Enterprise], ENAF [National Smelting Enterprise], and YPFB [Bolivian Government Oil Deposits].

Villalobos said that it is important that the Bolivian people, who have lived for a long time in a state-owned economic system, understand "the benefits of investment and share ownership."

Human Rights Commission Issues Report on Violations

95SM0462C La Paz HOY in Spanish 14 Jul 95 pp 2-3

[Article: "40 on the Human Rights Black List"; first paragraph is PRESENCIA 25 introduction]

[FBIS Translated Text] *One year and three months of investigation have caused the Human Rights Commission of the Chamber of Deputies to determine that a series of abuses has been committed against persons detained for terrorist acts. Even torture and murder are mentioned. Involved in this case are judges, prosecutors, police, and ex-ministers of state.*

The Human Rights Commission of the Chamber of Deputies has asked that criminal proceedings be opened against former prosecutor Jose Nemtala, four additional prosecutors, and some 30 police officials for the crimes of mistreatment and torture, injury, threats, coercion, housebreaking, and deprivation of liberty against members of groups accused of armed rebellion.

The Commission also requested the initiation of criminal proceedings against judges David Rojas Grandin, German Urquizo y Leon, Antonio Santa Maria Paton, Nestor Guerrero Arraya, and Grover Najera for the crimes of corruption of justice, denial or delaying of justice, filing false reports, acts against the political constitution of the state, and nonperformance of duties.

According to the report presented by the commission, after more than a year of investigation, the prosecutor for the La Paz district must conduct an investigation into the official responsibilities of the ex-ministers of interior from 1989 - 1992: Eduardo Perez Beltran, Guillermo Capobianco, and Carlos Saavedra, in addition to the undersecretaries of interior, in their capacities as chiefs of sector.

Furthermore, the Commission is requesting that the killings or murders of Miguel Northuster Kerer, Luis Caballero Inclan, Osvaldo Espinoza Gemio, and businessman Jorge Lonsdale be clarified.

The investigation was begun after accusations by several trade union and human rights organizations obliged the full Chamber to approve a resolution on 8 April 1994.

There Was Torture

The report that was presented to the presidency of the chamber of deputies, and which will be debated next week in plenary session, states that the commission "is able to sustain the general suspicion that in most of the cases, the acts of torture that were denounced did take place, and that the responsibility belongs exclusively

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to the various security organisms of the state, although individual responsibility is not limited to the individuals identified in this report."

According to the accusers, these unconstitutional acts served as punishment and as a way of obtaining more information and incriminating other individuals.

Among other things, it was possible to determine that the forensic-medical certificate lacked a precise determination of the cause, nature, and seriousness of the injuries exhibited by the person examined. Nevertheless, it was observed that most of those who were arrested showed signs of violence caused by external factors. These signs consist of bruises, swellings, contusions, neuritis, wounds, and symptoms of depression and anxiety, presumably caused by the interrogations.

Some Crimes Committed

It was determined that, in all cases, arrests were carried out without court order and without involving flagrant crimes, thus violating rights protected by article nine of the constitution.

The informative statements by colonels German Linares and Antonio Rojas and prosecutors Jose Nemtala and Salomon Paniagua confirm the foregoing, although in some cases they deny that an act in violation of constitutional norms was committed, and in others they explain that they acted in this way due to "necessity," "urgency," and "efficiency."

According to the report, with some exceptions the house break-ins were conducted without court order, in violation of article 21 of the constitution, thus committing the crime of breaking and entering, aggravated by the official status of the perpetrators.

Sometimes, the prosecutor and the director of Judicial Police Proceedings, in violation of the law, issued illegal warrants or were present at the arrests and break-ins. This was offered by the police authorities in an attempt to certify the "legality" of the proceedings.

Illegal Arrests

The Commission says that it is possible to affirm that articles 9, 10, and 11 of the constitution were violated, as well as article 118 of the code of criminal procedure, as arrests were confirmed that ranged from 72 to 1,056 hours, before the accused were turned over to ordinary justice.

The individuals subject to the investigation explained that these procedures were due to "latitude authorized by the prosecutors and political authorities, and because of the impossibility of concluding the investigation.

"The statements obtained were presumably involuntary, as is charged in almost all of the enquiries and confessions, by means of torture and other illegal methods, were obtained in extended sessions of several days in varying surroundings, using various methods. The written version of their statements would have been shown to them at the last moment, to be signed," the Commission stated. According to prosecutor Nemtala and the police, the statements by the prisoners were voluntary.

Most of the statements mention various kinds of pressure, harassment, persecution and seizure of relatives and persons close to the prisoners, for the presumed purpose of obtaining information from those persons. "One of the examples of this activity is the death of the brother of Johnny Peralta, Juan Peralta, who was under investigation for armed rebellion in connection with the murder of two Mormon clergymen," the report concluded.

[Box, p 2]

The Persons Alleged To Be Responsible for the Violations

A) Among police and prosecutors, and with regard to torture, abuse, coercion and mistreatment, the following officials are alleged to be materially responsible:

The FAL-Zarate Wilka [Zarate Wilka Armed Liberation Front] Case

1. Police Colonel Antonio Rojas Trujillo (subcommander of the Criminal Branch at the time

2. Major Humbert Rodriguez

3. Major David Rodriguez

4. Colonel Carlos Vizcarra (commander of the Criminal Branch)

5. Noncommissioned officer Manuel Balboa Suxo

6. Agent Edgar Chavez

7. Agent Tito Tornero

8. Prosecutor Salomon Paniagua

9. Prosecutor Jose Nemtla Kairala

10. Dr. Alberto Romay (judicial advisor to the Police)

The Nestor Paz Zamora (CNPZ) Case

1. Colonel German Linares Iturralde (commander of the Special Center of Police Investigations-CEIP)

2. Lieutenant Colonel Carlos Antezana Cuellar

3. Lieutenant N. Rojas

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4. 2d Lieutenant N. Pereira

5. Agent N. Pozo

6. Noncommissioned officer N. Alvarez

7. Agent N. Espinoza

8. David Garimendi Mendoza

The Tupac Katari Guerrilla Army [EGTK] Case

1. Col. German Linares Iturralde

2. Prosecutor Jose Nemtala Kairala

3. Lt. Juan Vargas

4. Cpt. Enrique Martinez

5. Cpt. Freddy Suarez Castro

6. Lt. Armando Flores

7. Cpt. Roger Martinez

8. Col. Freddy Zabala

9. Col. Oscar Teran Arevalo

10. Dr. Antonio Torrez Balanza (forensic doctor)

11. Prosecutor David Gonzalez (Cochabamba)

12. Cpt. Reaul Flores (Cochabamba CEIP)

13. Lt. Eduardo Soliz (Cochabamba CEIP)

14. Lt. Octavio Gutierrez (Cochabamba UMOPAR [Mobile Police Unit for Rural Areas])

The Army of National Liberation [ELN] Case

1. Cpt. Saul N.

2. Cpt. Mario Arismendi

3. Agent Fabiola Echeveri

4. Col. Jorge Teran

5. Agent Maruja N.

6. Agent Paola N.

7. NCO N. Decker

B) With regard to arrests, solitary confinement and housebreaking of an illegal nature and in violation of the justice system, alleged responsibility falls upon the following officials:

The FAL-Zarate Wilka Case

1. Police Col. Antonio Rojas Trujillo

2. Prosecutor Salomon Paniagua

3. Prosecutor Alberto Romay

The CNPZ Case

1. Col. German Linares Iturrlde

2. Col. Carlos Antezana Cuellar

3. Prosecutor Jose Nemtla Kairala

4. Prosecutor Juan Molina Ibanez

The EGTK Case

1. Prosecuutor Jose Nemtala Kairala

2. Col. German Linares Iturralde

3. Cpt. Raul Flores

4. Lt. Eduardo Soliz

5. Lt. Octavio Gutierrez

The ELN Case

1. Prosecutor Jose Nemtala Kairala

2. Col German Linares Iturralde

C) In the judicial system, and as a result of criminal trials initiated, the actions of the following judges appear to come within the provisions of articles 173, 177, 178, 153 and 154 of the penal code, which define the crimes of corruption of justice, denial or delay of justice, failure to report a crime, acts against the constitution, and nonfeasance:

The FAL-Zarate Wilka Case

1. Criminal instruction judge no. 8, David Rivas Grandin

2. District criminal judge no. 6, German Urquizo y Leon

The CNPZ Case

1. Criminal instruction judge no. 9, Antonio Santamaria Paton

The EGTK Case

1. Criminal instruction judge no. 1, Nestor Guerrero Arraya

The ELN Case

1. Criminal instruction judge no. 11, Grover Najera

D) The following are alleged to be responsible for homicide and/or murder, as defined in articles 251 and 252 of the penal code:

The Case of Juan Domingo Peralta

1. Cpt. Cancio Perez

2. Agent Edgar Chavez

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3. Agent Tito Tornero

4. Agent N. Flores

5. Agent N. Mogoa

6. NCO Manuel Balboa Suxo

The Case of Evaristo Salazar

1. Lt. Col. Carlos Antezana Cuellar

2. Lt. N. Rojas

3. 2d Lt. N. Pereira

4. Agent N. Pozo

5. NCO N. Alavarez

6. Agent N. Espinoza

7. David Arismendi Mendoza

[Box, p 3]

A Torture Manual

According to the Human Rights Commission report, the approximately 50 persons who made accusations described the torture and "mistreatment" to which they were subjected as follows:

- Intense beatings, in 24 cases
- Beatings in the genitals, 24 cases
- Administration of drugs, in 4 cases
- Simulated Execution or shooting, in 6 cases
- Sleep deprivation for an average of five nights, almost all
- Introduction of objects (bullets) in the anus, in one case
- Threats of electric shocks, in six cases
- Attempted drowning, in two cases
- Electric shocks, in 17 cases
- Attempted smothering with polyethylene bags, in eight cases
- Threatened rape, in two cases
- Introduction of nails under fingernails and toenails, in two cases
- Sharp, prolonged noise in ears, by means of audiophone, in two cases
- Hanging by the feet, with the head placed in a metal container and striking the container with a percussive object, in one case
- Being knocked against the wall, in 20 cases
- Prolonged period in an uncomfortable position, almost everyone
- Threat of death, in two cases
- Blackmail by arrest and torture of relatives, almost everyone
- Psychological pressure and terrorization, almost everyone

[Box, p 3]

Investigate, But Without Creating a Smokescreen

Ex-Minister of Interior Carlos Saavedra said yesterday that human rights violations committed in 1992 and 1993 can be investigated, but this should not be used to distract the Bolivian people from the problems that afflict them, such as unemployment, illiquidity, inflation, and others.

In reply to the request from the human rights commission of the chamber of deputies, which asked the district prosecutor to initiate an investigation into the responsibilities of Saavedra's administration for violations of the human rights of members of armed groups, the ex-minister said that this was a political ploy of the MBL [Free Bolivia Movement], "which has only one recurring agenda, and that is leading society into a false debate." The president of the Commission, Juan Del Granado, is a member of the MBL.

It would seem, said Saavedra, that the MBL's only argument is to say "We are less corrupt; the others are violators of human rights."

An Attempt To Distract

Saavedra said that the MBL, which is part of the governing coalition, "is unaware of, or is trying to distract the country from, the real problems the country faces and that affect the daily lives of the people, who day after day suffer from a loss of purchasing power of their salaries, inflation, which will reach 11 percent this year, and unemployment, as well as other real problems."

Saavedra stated that his party, the MIR [Movement of the Revolutionary Left], does not want to take part in the "false debate" initiated by the MBL, and that, on the contrary, it intends to concentrate on seeking solutions to the problems he mentioned.

In rebuttal to the accusations of the commission, Saavedra mentioned the report of the institution Americas Watch in 1992, which found that during the administration of ex-President Jaime Paz Zamora human rights were not violated, and also described Bolivia as a country in which human rights were respected.

Administrative Decentralization Law Explained

95SM0463A La Paz PRESENCIA in Spanish
28 Jul 95 p 6

[FBIS Translated Text]

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[A]. The Substitute Decentralization Bill

The governing majority coalition in the Chamber of Deputies decided to expedite action on the so-called Substitute Administrative Decentralization Bill, which the Committee on Planning and Economic and Financial Policy; the Committee on the Constitution, Justice, and Judicial Police; and the Committee on Regional Development analyzed and approved on 20 July. The bill was given final approval last night [27 July] in all three of its venues.

[1.] The Bill

The report by these committees identifies the following as the most important aspects of the substitute bill:

a) The administrative decentralization of the Executive Power at the departmental level consists of the transfer and delegation of administrative functions of a technical nature to the departmental prefects.

b) The president of the Republic appoints the prefect, whose functions are expanded in order to improve and facilitate the administrative activities of the department.

c) The Departmental Council is an organ for control and consultation in connection with the functions to be exercised by the prefect. Its members shall be appointed by the Municipal Councils of the respective municipalities in each province, and by the members of the municipal council of the departmental capital.

[2.] The Economic System

The economic system takes into account the new jurisdictions and functions transferred to the departmental level of the Executive Power, by including in its sources of funds the allocation of 25 percent of the actual revenues collected under the Special Tax on Hydrocarbons and Hydrocarbons Products (IEH), distributed in the following manner: 50 percent based on the number of inhabitants of each department, and 50 percent apportioned on an equitable basis to the nine departments.

The funds of the Departmental Compensatory Fund—which was created by Law 1,551 (the Popular Participation Law)—shall not exceed 10 percent of the actual revenues collected under the Special Tax on Hydrocarbons and Hydrocarbons Products. In the event this limit is exceeded, said funds shall be distributed proportionately among the departments benefiting from the Fund.

[B]. Decentralization Under the Unitary System

Title I—concerning the System of Administrative Decentralization of the Executive Power at the departmental level—states in its Chapter I, "The Concept and the Purpose":

Article 1. Constitutional Framework of the Administrative Decentralization

Within the framework of the Political Constitution of the State, the present law regulates the System of Administrative Decentralization of the Executive Power at the departmental level, which—under the unitary system of the Republic—consists of the transfer and delegation of administrative functions of a technical nature that are not the exclusive province of the president of the Republic.

Article 2. Purpose of the Law

a) To establish the organizational structure of the Executive Power at the departmental level, within the System of Administrative Decentralization.

b) To establish the system of departmental economic and financial resources.

Article 3. Organizational Structure of the Executive Power at the Departmental Level

1) The structure of the Executive Power at the departmental level is composed of the prefect and the Departmental Council in their capacity as institutional organs.

2) The internal organization shall be regulated by means of a Supreme Decree.

[C]. The ABC of the Prefect

Section I of Chapter II deals with the nature, appointment, and functions of the prefect—aspects that are contained in the following articles:

Article 4. Nature and Appointment

At the departmental level, the Executive Power is exercised and administered by the prefect, who is appointed by the president of the Republic.

Article 5. Functions

In the System of Administrative Decentralization, the prefect has the following functions, in addition to those established in the Political Constitution of the State:

a) To enforce compliance with the Political Constitution of the State and all laws and decrees.

b) To exercise the legal representation of the Executive Power at the departmental level.

c) To preserve internal order in the department.

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d) To manage the economic and financial resources—and the assets—that are owned and used by the department.

e) To formulate and execute the departmental plans for economic and social development in accordance with the standards of the National Planning System, in coordination with the municipal governments of the department and the Ministry of Sustainable Development and the Environment, and within the framework of the General Plan for Economic and Social Development of the Republic.

f) To formulate and execute programs and projects for public investment within the framework of the departmental development plan—and in accordance with the standards of the National System of Public Investment and the economic and financial system as set forth in the present law—in the following areas:

The construction and maintenance of highways, secondary roads, and roads maintained jointly with the municipal governments; rural electrification; irrigation infrastructure and support for agricultural production; agricultural and livestock research and extension services; conservation and environmental protection; the development of water resources; support for social services; municipal improvement programs; and other programs developed in concert with the municipal governments.

g) To administer, supervise, and control—by delegation of the national government—the human resources and budgetary allocations destined for the operation of public services in the areas of education, health care, and social welfare, within the framework of the policies and standards governing the provision of these services.

h) To administer, supervise, and control the operation of the services of social welfare, sports, culture, tourism, agriculture and livestock raising, water resources, and roads—except for those services that are the province of the municipalities—while preserving the integrity of the national policies that relate to these sectors.

i) To draft the departmental budget bill in conformity with the standards of the National Budgetary System and transmit it to the Departmental Council for consideration by that body.

j) To implement the departmental budget within the framework of the standards of the National System of Financial Administration and Governmental Control, and to present to the Departmental Council the annual account of revenues and expenditures.

k) To encourage popular participation—and to channel the requests and reports of the Indian, peasant, and neighborhood organizations—through the medium of the appropriate organs of the Executive Power.

l) To channel the requests, negotiations, and reports of the municipal governments within the framework of the jurisdictions that have been transferred.

m) To issue administrative decrees, sign contracts and agreements, and delegate and deconcentrate administrative functions of a technical nature.

n) To resolve the administrative appeals that arise in relation to matters within the prefect's competence.

o) To appoint the subprefects in the provinces, the magistrates in the districts, and all subordinate personnel whose appointment is not reserved to other jurisdictions.

p) To appoint all departmental administrative authorities whose appointment is not reserved to other jurisdictions. The number, functions, and method of appointment of said authorities shall be established and determined by means of a Supreme Decree.

q) To engage in negotiations to obtain credit for investment purposes.

r) To grant the status of juristic person—valid throughout the national territory—to foundations, associations, and civilian firms that are based either in Bolivia or abroad, provided they have established a domicile within the prefect's jurisdiction; and to register the status of juristic person held by the peasant communities, Indian nations, and neighborhood councils.

s) To register commercial firms and other commercial entities established either in Bolivia or abroad, provided they have established a domicile in the prefect's jurisdiction in accordance with a regulatory decree, said registration to be valid throughout the national territory.

t) To register—in accordance with a regulatory decree—trademarks, designs, patents, royalties, and licenses, said registration to be valid throughout the national territory.

u) To preside over the meetings of the Departmental Council, with the exercise of voting rights and veto power except in cases that are referred to the investigative authority of the Council.

v) To encourage private investment in the department.

w) To perform other functions assigned by existing legislation, and such laws as are delegated by means of a Supreme Decree.

Article 6. Presentation of Annual Revenues and Expenditures

The prefect of the department shall present to the Departmental Council—for review and approval by

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that body—the departmental account of revenues and expenditures for each fiscal year.

[D]. Subprefects and Magistrates

Section II of the Law of the System of Administrative Decentralization of the Executive Power at the departmental level refers to the nature, functions, and hierarchy of the subprefects and magistrates, who represent the Executive Power in their respective jurisdictions.

Article 7. Nature and Functions

The subprefects and magistrates are representatives of the prefect and shall be in charge of the administration of their respective provinces and districts.

Article 8. Hierarchy

The subprefects are subordinate to the prefects, and the magistrates to the subprefects.

Article 9. Functions of the Subprefects and Magistrates

In the area of their respective territorial jurisdictions, the subprefects and magistrates shall exercise the following functions:

a) To comply—and enforce compliance—with the Political Constitution of the State and all laws, decrees, and rulings.

b) To preserve public order.

c) To appoint their respective subordinate personnel.

d) To manage the resources that are allocated to them. The subprefects shall submit the corresponding accounts to the prefect, and the magistrates to the subprefect.

e) To manage the departmental assets that are transferred to the provinces and districts for their use.

f) To issue administrative decrees that are within the scope of their functions and of such functions as are delegated to them by the prefect.

g) To preside over the provincial Popular Participation councils.

[E]. Advisory and Investigative Councils

Article 10

Article 10 of the proposed Decentralization Law approved by the deputies defines the Departmental Council as a collegial organ for consultation and investigation in connection with the administrative actions taken by the prefect.

Article 11

Article 11 establishes that the Departmental Council shall be presided over by the prefect and shall consist of:

1) One citizen per province.

2) One representation per population that is equivalent to 50 percent of the number of provinces, said representation to be determined according to the following procedure:

a) A distributive figure is established that is equal to the quotient obtained by dividing the total population of the department by the number of councilmembers assigned per population.

b) Each province shall obtain one additional councilmember whenever its population reaches the distributive figure, until the maximum number of councilmembers per population established for the department is reached.

c) Whenever—by following the criterion described in the preceding clause—the total number of councilmembers assigned per population is not reached, the remaining vacancies shall be distributed among the individual provinces in the order in which the population of each province comes closest to the distributive figure.

Article 12. Appointment

Article 12 provides that the members of the Departmental Councils shall be appointed as follows:

I) The members of the Municipal Councils of each of the provinces of the department shall appoint—by two-thirds vote of the members present—those citizens who meet the requirements; said citizens may or may not be a resident of the municipality in question.

II) Municipal councilmembers, and hierarchical officials of the public administration, shall be ineligible for appointment as members of a Departmental Council.

III) The members of a Municipal Council may revoke—for cause, as established by means of a regulation—the appointment of a member of their Departmental Council by two-thirds vote of the municipal councilmembers present.

Article 13. Requirements

Article 13 establishes the requirements for appointment as a member of a Departmental Council:

a) Be a Bolivian citizen who has fulfilled the military obligations.

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b) Be 25 years of age on the day of his or her appointment.

c) Be a registered voter.

d) Not to have been sentenced to prison, unless rehabilitation has been granted by the Senate; nor to be named in a judicial decree that is not subject to appeal; nor to be involved in cases of exclusion or incompatibility that are established by law.

Article 14. Functions

Article 14 lists the functions of the Departmental Council as follows:

a) To approve the plans, programs, and projects for departmental development that are presented by the prefect within the framework of the General Plan for the Economic and Social Development of the Republic.

b) To approve the departmental budget bill that is presented by the prefect.

c) To approve the prefect's report containing the departmental account of revenues and expenditures.

d) To review the actions taken by the prefect, except for those pertaining to the exercise of the functions that are the exclusive province of the Executive Power.

e) To evaluate the advantages—and the necessity—of obtaining credit for the department, in accordance with the legal provisions currently in force.

f) To make recommendations with respect to the signing of interinstitutional agreements.

g) To make recommendations with respect to the signing of contracts for public works and services, in accordance with the standards currently in force.

h) To make recommendations concerning consideration of the requests and priority needs of the departmental capital, provinces, and districts.

i) To encourage coordination with the municipal governmets and other institutions within the Council's jurisdiction.

j) To encourage community participation.

k) To require reports from the prefect concerning the work of the prefect's office and—through the prefect—reports from the subprefects and magistrates.

l) To bring to the attention of the president of the Republic any administrative actions and ordinances of the prefect that are contrary to existing legislation and to the interests of the department.

m) To issue resolutions censuring the prefect that are passed by two-thirds vote of the members of the Council.

Article 15. Mandatory Consultation

Article 15 establishes that the prefect shall:

I) Before taking a decision—and on penalty of nullification of his or her actions—consult the Departmental Council with regard to the following matters:

a) Make recommendations concerning the advisability and necessity of negotiating loans for the department, in accordance with the existing legislation.

b) Make recommendations concerning the signing of interinstitutional agreements.

c) Make recommendations concerning the signing of contracts for public works and services, in accordance with the existing standards.

II) Upon convocation by the prefect, the Departmental Council shall render an opinion expressly concerning the matters described in Paragraph I. Its failure to do so shall imply its agreement with the decision in question. The procedure—and the time limit for rendering the opinion—shall be established by regulatory decree.

III) A recommendation of approval issued by the Departmental Council and accepted by the prefect shall imply joint responsibility for the administrative action in question and for its consequences.

IV) By means of a specific and substantiated decision, the prefect shall be able to dissociate himself or herself from an opinion of approval rendered by the Departmental Council, thereby taking sole responsibility for the administrative action in question and its consequences, in which case the Council is authorized to submit the aforesaid decision to the president of the Republic, who shall issue a definitive order requiring compliance under the terms established by the regulatory decree.

Article 16. Censure

Article 16 establishes that the purpose of censure is to change the policies and procedures that have been observed.

I) The Departmental Council is authorized to censure—by two-thirds vote of those present and by means of a substantiated ruling—any actions or decisions by the prefect that are contrary to existing legislation and to the interests of the department.

II) Censure shall entail the resignation of the supreme departmental authority [the prefect], which can be either accepted or rejected by the president of the Republic.

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Article 17. Functions and Internal Regulations

Article 17 states that the members of the Departmental Council shall exercise their functions for a term of two years and can be reelected. They shall meet at least once a month, and in special sessions upon convocation by the prefect. The organization and functions of the Departmental Council shall be established by means of internal bylaws raatified by Supreme Decree.

Article 18. Quorum

Sessions of the Departmental Congress require the presence of a quorum consisting of half of its members plus one.

Article 19. Voting

The approval of opinions issued by the Departmental Council shall be by absolute majority of the votes of the members present.

[F]. Economic System of Decentralization

The Economic and Financial System is established in Title II of Chapter 1 of the Decentralization Bill drafted by the Committees on the Constitution, Economic Policy, and Regional Development of the Chamber of Deputies.

Article 20. Sources of Funds

I) The funds managed by the prefects consist of:

a) The departmental royalties created by law.

b) The moneys in the Departmental Compensatory Fund that was created by Law 1551.

c) Twenty-five percent of the actual revenues yielded by the Special Tax on Hydrocarbons and Hydrocarbons Products.

d) The funds allocated in the General Budget of the Nation for expenditure on personal services in the areas of health, education, and social welfare.

e) The special transfer payments from the General Treasury of the Nation in those cases established in Article 148 of the Political Constitution of the State.

f) The domestic and foreign credit and loans contracted in accordance with the standards of the National Treasury and Public Credit System.

g) The proceeds from the sale of assets that are in the charge of the prefects.

h) The income derived from the provision of services, and from utilization of the assets that are in the charge of the prefects.

i) Bequests, donations, and other similar types of income.

II) The funds to which reference is made in Clause b) of Section I of the present article cannot exceed 10 percent of the actual revenues derived from the Special Tax on Hydrocarbons and Hydrocarbons Products. If this limit is exceeded, said funds shall be distributed proportionately among the departments that benefit from them.

III) The resources to which reference is made in Clause c) of Section I of the present article shall be distributed in the following manner: 50 percent on the basis of the number of inhabitants in each department, and 50 percent in an equitable manner to the nine departments.

Article 21. Allocation of Funds for Investment

Article 21 establishes that the prefect shall allocate—for the purpose of financing investment programs and projects identified in Clauses a), b), and c)—the totality of the funds to which reference is made in Clauses f) and g) of Section I of Article 20 of the present law.

Article 22. Allocation of Administrative Funds

The prefect shall allocate up to 15 percent of the funds mentioned in a), b), and c) of Section I of Article 19 of the present law to finance the administrative expenditures made by the subdivisions of the prefect's office in performing the functions stated in Article 5 of the present law.

Article 23. Negotiations To Obtain Credit

I) Pursuant to a favorable opinion from the Departmental Council and in accordance with the standards of the National System of the Treasury and Public Credit, the prefect is authorized to engage in negotiations for the purpose of obtaining credit to finance investment programs and projects that are a charge on the funds allocated to it by the present law.

II) The General Treasury of the Nation shall annually deduct—from the funds to which reference is made in Article 20 of the present law—the sum necessary to cover service and amortization of the debt assumed and administered by the prefect.

Brazil

Cardoso Announces Tax Reform Proposal

PY2208020895 Rio de Janeiro TVE Television in Portuguese 1410 GMT 21 Aug 95

[Opening statement by President Fernando Henrique Cardoso at a news conference with foreign and domestic

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reporters called to outline a tax reform proposal, held at the Planalto Palace annex in Brasilia — live]

[FBIS Translated Text] Good morning. Thank you very much for the presence of so many people in this auditorium.

Before beginning our interview — that is, before answering your questions —I would like to make, as I did on other occasions, a brief statement on the general status of the constitutional reform work.

First, how is the Brazilian economy doing under my government, at this time of the year, now that the seventh month of 1995 has ended?

Inflation: This chart [chart shown on screen] reflects a very satisfactory evolution from the viewpoint of inflation rate control.

The chart reflects the quarterly inflation rate. You can see perfectly well that there was a sudden drop, and that the inflation rate maintained a stable downward trend.

The consumer price index released by FIPE [Economic Research Institute Foundation] for the second week of August dropped from 3.38 to 2.68 percent.

Actually, based on the data for the first seven months of the year, the accumulated inflation rate reached approximately 12.3, or 12.5, percent. It reached 12.5 percent over a seven-month period.

This is the lowest inflation rate for a six-month period — actually, it was for a seven-month period — since 1973.

Therefore, as for the stabilization objective, we are, beyond any doubt, doing as we had planned. From a potential inflation rate above 5,000 percent in 1994, we moved — based on the expected rate for the second half of this year —to 2 percent or under 2 percent a month. We will not surpass 24 or 25 percent this year.

It is a consistent drop, because the rate has remained at stable values. This obviously had effects on income, especially for lower-income sectors, and this important data can be clearly confirmed by calculating the ratio between basic basket product prices and the minimum wage.

In July 1994, the basic basket bought — I mean, the minimum wage — could buy 64 or approximately 65 percent of basic basket products.

Now, in May 1995, we can see that the purchasing power has substantially increased.

Consequently, not only have wages grown in real terms, but also from the viewpoint of what is essential for those who earn a minimum wage, namely, the basic basket.

It is important to notice this factor. That is, through the stabilization plan we are automatically taking care of the social sector from a general viewpoint. Why? Because the purchasing power of lower-income sectors has grown remarkably.

I do not want to bore you with figures, but there are many figures showing that demand for products consumed by popular sectors continues to grow.

Therefore, there was a distribution in consumer profiles. Even though some social categories, the high-income sectors, could have their — I would not say consumption levels, but their consumption expectations — restricted, the truth is that people are eating better, and they are dressing a bit better. This is very positive.

Furthermore, this stabilization and income distribution — and I reiterate this — is possibly the largest income distribution ever registered in Brazilian history.

Well, this has been also coupled with a growing gross national product. It was a significant growth rate, because in the first half of 1995, the economy grew by 8 percent, compared to the same period in 1994.

Therefore, there was economic growth and income distribution improvement, while the inflation rate remained low.

This is exactly what has happened since I was finance minister, when we announced what would happen. Despite the persistent remarks by those who did not believe in stabilization — that there would be recession, unemployment, and deterioration of the workers' purchasing power — the opposite has occurred.

An essential factor for our future is the investment rate, which, as you can see, continues to grow. I should say that these data do not provide information on growth rates in previous years, when growth levels were even much higher than the current rates. Yet the truth is.... [changes thought] I am referring to past decades.... [changes thought] The truth, which is very clearly reflected here, is that investments have been reactivated, and consequently we have prospects for the future.

Look, we are again reaching — although I cannot see very well from here — 17, 18 percent of the GNP, 18.5 percent of the GNP. Obviously, this is still very little.

We can see that public investment had dropped dramatically in Brazil, while foreign investment also dropped. The investment rate is recovering, and it is essential that it recover rapidly, because this will guarantee something essential; namely, employment.

Please show the employment chart. [chart shown on screen] Please note the average unemployment rate

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for the past 12 months. The first half of 1995 again registered the lowest unemployment rate we have ever registered.

In general terms, the unemployment rate dropped, while employment grew, and this has been caused by the investment rate growth.

This does not mean that there are no problems, that unemployment will not eventually affect one sector or another, that entrepreneurs will not have problems in one sector or another, because there are indeed problems. It does not mean that no social sectors will feel they are being harmed, because there are sectors that are indeed being harmed; it does not mean that there are no problems in agriculture, or that there are no problems in the car parts manufacturing industry.

There are problems, but the administration is alert, and it is implementing adjustments. However, from a general view, one can observe that the country is taking a direction, with much calmness and clearness, as expressed by these figures. I must say we managed to repel the threat of an exchange crisis at the beginning of the year as a consequence of the Mexican crisis. We have overcome the risk of an inflationary upsurge.

This year we not only managed to maintain the basic principles of the Real Plan, but we managed to repel some foreign threats from the international financial system which could have caused an inflationary upsurge and an exchange crisis in Brazil.

I want you to look at these charts on the trade balance which will show you that we have been registering deficits since last October. [charts shown on screen] November and December registered the worst deficits. You can observe that recovery began in July. We did not register a surplus in June because of the large oil imports and because the effects of the measures on car imports could still not be felt then. From this point on, the recovery of the trade balance will be clearer.

Evidently, this means that our economy has a defined future. The administration is controlling the situation, it knows what it wants, and the people support our proposals. We are making the economy and society create the conditions for a more stable and better future.

Interest rates are already dropping and the compulsory bank deposits are also being relaxed. Why? Because they were temporary measures adopted to obtain the results I am showing you today. Therefore, the many warnings made by people to the effect that there would be a recession, that the interest rates are excessively high, simply demonstrate that the government has taken action to slow down the economic growth. We understand these people's reasons, because they were directly affected by our measures. We slowed down the economic growth consciously. That it was slowed down means there is also the capability of allowing it to resume, and to adjust growth at a rhythm and time we consider appropriate.

We must now continue creating the conditions for sustained growth, not zig-zagging growth, that is, one year there is growth, and another there is not, one year there is a recession, another year there is a boom, a stop and go kind of growth, as this kind of inflation is described in England. This is not what we are seeking here. We want a different process. We want a process in which we can look after the conditions of growth. We now clearly see that we must make an additional effort because we do not only want to stabilize the economy.

We are not satisfied with only saying that the lowest-income sector has already attained a better standard of living. We must take strong action so that I can comply with my campaign promises regarding the employment rate, which we are trying to maintain. We are alert to this. I also mean my campaign promises regarding agriculture, the problems of which — everyone knows — still continue, but which the administration is trying to solve, as well as the subjects of education, health, and security. Solving all these problems requires fiscal resources that will allow us to implement the reforms.

Next month I will speak about the social reforms so as to carry them out within the framework of a sustained growth process. Such is the context in which the administration is proposing these reforms to Congress. I wanted to speak about these reforms.

First, the tax reform. I will briefly refer to this because the country already knows the current situation. [chart shown] You can observe that the tax burden has increased. Here and there you can observe that federal revenue allocations have dropped in proportional terms. This is an undeniable fact.

A copy of the chart and figures will be distributed among you so that you will be able to see that the federal administration has lost revenues in a proportional way. The worst thing is that the portion of readily available federal revenues has dropped drastically. This is why in 1994 we proposed the Social Emergency Fund, FSE, and we are proposing to Congress now the continuation of the FSE, without which we will not have the resources to administer Brazil.

You can observe that the revenues available for 1995 amount to 4.3 billion reals, which is really small, as you can see. Why is this so? Because of what I just explained. Because most of the expenses are made with personnel and contributions to the social security

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system. Please look at this chart because it is very clear. You can see that expenses with the payroll and the social security contributions amount to 32 percent and 30.6 percent of our expenses.

Another interesting piece of data we have here is the distribution of resources between active and retired personnel. You can observe another interesting piece of information about the currently working and retired federal employees, in which you will notice a great increase in the payroll, a great burden with the retired personnel, and a very great increase in social security expenses. Practically all the federal administration budget, whose taxes are paid by the entire country, the contributors, will be used to pay personnel. That is, a gross third of the federal administration's revenues will pay for personnel and social security expenses. I will refer to this subject again later.

After funds are transferred to the states as established by the Constitution, very little remains for the federal administration. It is impossible to appropriately administer the country with this amount of funds. I also want to clarify something that has not turned up yet but which I read about today in a newspaper. A Chamber of Deputies adviser has been quoted as saying that 60 percent of our resources would be used to pay debts. This is not true. Debt payments amount to a gross 15 billion reals, R, of the R111 billion total general budget. This R15 billion is really R9 billion in cash because our reserves earn interest. Therefore, do not confuse things, because I have often heard this incorrect assertion. It is not true; the alleged figure is too high. We are not happy to pay R9 billion. I have often heard this unfounded assertion. We need to reduce our debt payments, but we can really do nothing becasue our budget is very tight.

In view of this, and in order for us to increase our expenses in the social area, we must implement a tax reform. We are submitting the tax reform proposal to Congress this week.

What are the objectives pursued by the tax reform? It pursues clear objectives: To simplify the tax system; that is, to transfer to implementing laws those measures which are today included in the Constitution, to fight tax evasion, and to promote a fair sharing of the tax burden. This requires the possibility of obtaining banking data, the bridging of gaps existing in the ICMS [Goods and Services Movement Tax] rates, the reduction of taxes on basic food items, the strengthening of direct taxes, and the transfer of the ITR [Rural Land Tax] to the states, so that we may more effectively penalize the owners of unproductive land.

We must especially focus on the third item you see there, that is, to make Brazilian products more competitive. We must thus seek to eliminate those taxes having an impact on exports and capital assets.

We must also support the expansion and modernization of agricultural production by giving tax breaks to agricultural supplies. All this also requires an effort to reconcile fiscal measures nationwide so that the rates of the new taxes I will soon mention will be standardarized nationwide for specific mercahndises and services.

Some measures will be applied immediately. They are: The ICMS will no longer be applied to primary and semimanufactured products. Capital assets — machinery and equipment — will be exempted because they are essential for modernizing our production apparatus. Agricultural products will also be exempted, and the ICMS rates on basic food items will be reduced. These will not have the same effects as other constitutional reforms because they must be negotiated by the states.

As we make a great effort to reduce taxes in these essential areas — and we hope Congress will be sensitive to these initiatives — we will certainly have to compensate those states which, for instance, sustain losses as a result of the elimination of export taxes. Likewise, we will set up import taxes to eliminate the gap existing between imported items and those manufactured in Brazil. In addition to being entitled to compensation, states will have the ITR and, by bridging ICMS rates, they will naturally obtain larger revenues.

Now, as the newspapers reported it, a mechanism is in place to implement the new tax which will result from the absorption of the IPI [Industrial Products Tax] by the ICMS, which will have two rates: a federal rate and a state rate. They will both have the same rates and follow the same collection procedures. The federal and state revenue services will work together and will cooperate with each other. Instead of competing with each other, they will seek to significantly improve supervision. State autonomy will be preserved in the administration of these taxes.

We will certainly simplify the system because we will only have the ICMS — with a federal and a state rate — instead of having both the ICMS and the IPI. Those acquainted with the tax system know that this policy is designed to steadily move toward incorporating other taxes to further simplify the system. The base of this new tax is identical to the ICMS: It taxes merchandise and interstate and intermunicipal communications and transport services. Federal rates will be standard nationwide and the state rates will be set by a three-fourths majority vote of the Senate. While all imports will be taxed by the ICMS, all export items will be exempted from it. This is a boring, technical matter. It relates to what will be done to increase revenues.

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I want to emphasize here again that these constitutional proposals will not affect the proportional distribution of revenues among states. They will have no impact on the states, but if there were any negative effect, compensations will be given to correct these difficulties. We cannot, however, limit our actions to these issues.

In addition to initiatives made in the Chamber of Deputies and other ICMS supplemental proposals made by several deputies, which are being coordinated by the Finance Subcommittee, this month we are going to send to Congress a new draft law on corporate income tax. This type of proposal used to be submitted to Congress in December, without giving it time to throughly study the issue. It was always a question of voting urgently on the bill with a view to concealing deficiencies in the administration's revenues. This time we are not going to do that.

This time we will start at the following point: The current system is complex. It is at times even quite confusing, and it calls for many registries and a heavy bureaucracy in enterprises.

As a result of all this, even though taxation percentages have increased, the truth is that the income tax paid by corporations dropped in 1960 — it dropped. In the 1970's, it accounted for 1.66 percent of the GNP. In the 1980's, it accounted for 1.38 percent, and in the 1990's for 1.27 percent.

That is, we have a complex system in which revenues do not actually grow. We increase taxation percentages, but revenues do not grow.

Consequently, the government decided to tackle this problem. From the four million registered enterprises, only 750,000 pay income tax. From four million, 750,000 pay income tax.

And since the income tax has dropped, this is the reason for the figures reflecting the fact that the income tax paid per enterprise does not surpass approximately R600, or less than R700.

This does not mean that large enterprises pay R700 — per month, of course — but that most of the four million enterprises do not pay. Therefore, despite the enterprises that pay income tax — those which do pay significant amounts —the average results in very low per-enterprise revenue.

Well, only 500 enterprises account for 50 percent of income tax revenues originating from corporations.

We will strongly simplify this mechanism. Our objective is to keep the maximum taxation percentage — which today stands at 43 percent — under 30 percent. I am talking about the maximum percentage. This is our objective.

In order to attain this goal, we have adopted several measures. First.... [changes thought] Furthermore, we want to give risk capital the same treatment given to loaned capital, that is, we want to permit deduction of enterprises' profits and dividends, just as with the deduction of interest.

This is very important. We are emerging from a stage of speculative capitalism in which there were advantages to speculation. We are entering another form of economic organization, in which risk capital compensates the productive sector.

There is no reason for enforcing interest deduction for those who do pay interest while those who do not pay interest do not enjoy the same privilege.

We will also try to find a neutral position in connection with foreign and national capital, avoiding discrimination. We will have to adjust the fiscal structure to the stabilizaiton of the economy.

To this end, it is necessary to eliminate monetary correction for fiscal purposes. That is an important point.

I am tired of listening to speeches saying we are enforcing deindexation of salaries instead of doing it with capital. This is not true.

We are applying deindexation to everything, and that is why we have so strongly insisted that it is important for Congress to carefully vote on the provisional measure on salaries.

We are bringing inflation under control. I have already shown the figures. We have investment prospects, for which I showed the figures. We can promote economic growth and expansion.

We are, therefore, at a time in which we can apply gobal deindexation to the Brazilian economy.

We have already started to introduce modifications into the interest rates and into the funds created by the Central Bank and the National Monetary Council, giving different treatment to short-, medium-, and long-term operations.

We have put an end to the daily increase of the value of financial assets. It is very important to adopt the same procedure in the fiscal sector. Otherwise, we will give an immense advantage, through the deduction called monetary correction applying to capital, to the detriment of the objective of promoting deindexation and stabilization of the economy.

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If we manage to attain this goal — we are making a juridical analysis of the subject — we will be able, as I said, to very significantly reduce the taxation percentages for calculating the enterprises' income tax.

We will also reduce or even eliminate the deductibility of some expenses that are benefits for the higher echelons of enterprises' executives — travel, hotel, and representation expenses — because all that ends up becoming a method for evading income tax.

That is, the government is giving the same treatment to the fiscal sector and to capital gains and interest, as well as to salaries.

We are preparing the country for a stable, noninflationary economy. This is essential.

I am sure that Congress, upon receiving this proposal, will improve it, will realize the importance of everything that is happening in Brazil, the ongoing reforms.

We should all be aware that this is not a government action, a measure that is simply being submitted to Congress. It is a process that has been underway for some months, or perhaps more than a year. We are preparing Brazil for this process of stabilization, for sustained growth, so as to make more progress.

Having said that about the tax reform, I would like to make the following statement: Governors, mayors, and I are extremely concerned about the administrative reform because no tax reform will generate resources to meet growing expenses of salaries, especially those of retired public servants. A governor who met with me last week said that the natural [vegetativo] growth of the payroll in his state is 3 percent per month. In cumulative annual terms, this means 45 percent. How can we increase our revenues by 45 percent per year? That is unfeasible. That would lead us to a fiscal crisis.

It was not just one governor who said this to me. All the governors did the same. They said that the administrative reform is more important than the tax reform. As I demonstrated here, the tax reform marks a beginning. Not an ineffective, timid beginning: It is a beginning that effectively opens doors to change our mentality regarding the Brazilian fiscal system. We will reduce some expenses, but these are technical budget related subjects that I do not want to discuss here.

In the field of personnel, however, governors and mayors expressed many complaints because they have no means with which to face the increase in their payrolls. What is more, a governor told me that he has one employee who earns R4,000 reals and that when he retires he will earn R19,000. Well, we will have to face this problem through the administrative and social security reforms.

As for the administrative reform, as I just said, expenses for personnel correspond to one-third of the federal administration's expenses. A complementary law of the Constitution establishes a limit on personnel expenses. Many states are surpassing this limit. That constitutional provision cannot be met if not through an appropriate law.

In some cases, more than a third of the budget is spent on personnel. In some cases expenses with personnel reach 70 or 80 percent, or nearly 100 percent. There are likewise many cases in which there is a currently working employee for a retired one. This is a limit that marks the beginning of the wearing out of the Brazilian administration. Soon we will reach a point where we have one active worker for two retired ones.

This year the federal administration must spend R37 billion, or $40 billion, on personnel expenses. Counting currently working and retired employees, we must have 1.1 million employees. Half of them, that is, approximately 500,000, are currently employed. That is not so much, but according to Brazilian rules, a retired employee earns more than when he was currently employed. In five years, nearly 35 to 40 percent of the currently employed will be able to retire. This will place us in a situation of insolvency.

Thus, the federal administration must propose responsible measures to face this problem. The governors asked us to do so and we will forward such proposals. I will only mention a few of these measures.

This is a socially unjust situation mainly because retired federal employees earn more than all the INSS [National Social Security Institute] retirees. That is, the mass of Brazilian retirees do not receive the same treatment. This is a social injustice. This serious situation leads us to combat privileges. How can we do this?

I will repeat it calmly: Neither I, nor the federal administration, believe that there is an excessive amount of federal employees. There is not. There is even a shortage of personnel in many sectors. There is also an excess of personnel in other sectors. These employees need professional careers and better salaries. The most dramatic thing is that expenses involving the payroll are enormous, but the salary of each currently working employee is not so large. It is very small and very low. Why is this so? Because there are privileges, because the retired employees represent a burden, and because there are many beneficiaries of retired workers [widows, children, dependents].

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All these issues represent an enormous mass of expenses. Each currently employed worker's earnings are not good, but poor. We must gradually correct this distortion, create better-paid careers with better-trained employees. The issue is not to pass a steamroller over the payroll, or persecute employees, or carry out mass dismissals. No, this is not necessary in the federal administration.

We do need more appropriate rules to end certain privileges and, above everything, to review certain concepts. For example: there is a concept regarding the single juridical system whose objective is very praiseworthy but whose result has been a great distortion. Any little increase granted to a certain group of public employees must be equally granted to all employees, maintaining the internal differences. The differences are not reduced. Everybody talks about the distribution of wealth. However, when the subject comes up, people simply want to maintain their different levels of income. The differences must be reduced if wealth is going to be distributed without increasing production. In order to increase the income of the lower classes, the income of the higher ones must be restrained. We will have to face this subject.

We will have to face a taboo called stability. A public employee, as a worker, as a citizen, must be well-treated, and deserves good labor conditions. His future must not be subject to the discretionary action of a governor. However, it is also not possible for the government to be unable to dismiss an employee when he is not necessary. There must be a mechanism allowing society to be spared these useless expenses. Therefore, we need to create a new concept of labor tenure, not to end labor tenure. It must be better and more appropriately defined. The Constitution allows the possibility of dismissing public employees.

Yet there are two cases to which specific rules should apply. In one case, the rule should apply to the public servant. What will happen if he is unfit? Will he have job stability? Why should society pay forever?

You will ask: Who will establish whether a servant is unfit? You are right. Who will defend the servant? You are right.

We live in a state of law. Servants do have rights. Consequently, it is not an arbitrary dismissal. There must be a mechanism for judgment, giving him the opportunity for defense.

Second, even if the servant is, say, unfit, he is a citizen, a social being. Like a private enterprise, the state must have compensation mechanisms, establishing the conditions for dismissal and the rules applying to dismissal based on seniority. There must be some flexible mechanism.

On the other hand, it is also necessary to have mechanisms for elimination of positions, asking for the opinion of municipal councils, legislative assemblies, and the Chamber of Deputies, in order to prevent arbitrariness.

If it is ever necessary to reduce the size of the public administration, it should not be for the purpose of reducing it today in order to admit tomorrow other candidates with politicians' support. No, if a position is eliminated, nobody else can be designated to it.

Yet some measures should be adopted in that direction, remaking the juridical system, reflecting the diversity — for example, of the military and civil servants. Or, for example, the typical careers such as those of judges, professors, diplomats, which call for some guarantees that are different from those mentioned in labor laws. There must be some measures.

In this regard we will formulate proposals, for which we have the open, explicit, clear support of governors. I am in no way seeking to smash whomever happens to be in this situation. Yet I will adopt a firm attitude, because I was not elected president to be complacent toward wrong things, toward privilege, toward inequality. Our action will aim at that goal.

I finally would like to emphasize the significance of the social security reform proposal, which had already been submitted to Conrgess. We are discussing the proposal, which will not sit there forever.

It will be studied, with the openmindedness that a democratic government should always have. Society and Congress are parts of a process of change. The executive branch does not claim to be the owner of truth. It is open to reasonable discussion and public negotiation.

The executive branch has by no means folded its arms, nor will it fold its arms. We will continue to change Brazil.

We will continue to change Brazil, no matter what. There can be incomprehension, or temporary misinterpretation, but the government will not change its course.

The course has already been designed. I showed it in the charts. We know what we are doing. Society knows we do. And we will continue this way.

The social security system will have to be changed, because it is unfair. There is a very small number of persons collecting large allowances, while a vast number of workers do not have decent retirement allowances.

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We cannot ignore this. The same applies to the case of public servant retirement allowances — especially in some municipal districts — which do not even have funds for capitalization and for paying allowances in the future. All this should come to an end. It is not fair.

It is not fair that the whole society should work, that the state should collect funds through taxes, and that such funds should be distributed out of keeping with the ideal of equality.

We are not trying to carry out a reform just to harass anyone. We are trying to give the country not only a more reasonable but, above all, a more just, mechanism, with fewer privileges. Workers are right when they dicuss and come to me, as they did on several occasions, to tell me: Mr. President, we agree with the reform provided privilege is eliminated.

We are willing to discuss just about any topic, even retirement age. But we cannot stop something that is a mandate for the president; namely, to continue the reforms.

I emphasize that this does not depend on the constitutional reform. Yet the government is striving to create pension funds for capitalization, so that we may increase the investment rate, as we showed here. We need to increase it.

We need our own funds. Foreign investment, which is significantly growing, will not be enough. We will need our own resources.

Now that we are carrying out the privatization process, I recall those who criticized and said that we would denationalize Brazilian industry.

Not a single case of, quote, denationalization, unquote, has been reported. We have even deplored the fact that we did not receive more foreign capital. I hope more foreign capital will enter.

Yet what happened is that the pension funds of state-run companies, along with national capital, permitted privatization.

Just imagine if we had mechanisms for the entire population to supplement their allowances. It is clear that in a country with poverty like Brazil, the state can never fail to provide support to the social security system. Yet supplementation of allowances, instead of being made through the treasury — which will permit privileges without anyone noticing it — should be based on the contribution that each one of us makes to pension funds.

At that time we will have — I will mention a high figure, and the ministers will not tremble at it — hundreds of billions of reals, because with the current capitalization, we have some R30 to R40 billion from the pension funds of state-run companies.

If we make this a general procedure, we will have hundreds of billions of reals, which will guarantee permanent, continuous, sustained growth for the Brazilian economy.

Those are the objectives of the reform. We are not reforming for the sake of changing things. We are not Constituent Assembly delegates. We do not want to change the entire Constitution. We will respect the law, as is set forth by the Constitution. It is our duty.

But we will not stop, because things have already been started. The reform will be made on the basis of the chart I showed you. Despite the difficulties, the government is confident and certain that it can carry out its program for economic transformation of Brazil, spreading social well-being to its population.

This is what I wanted to say. I wanted to note that this week we will submit the tax and administrative reform proposals to Congress. If possible, in August we will submit a bill on the income tax paid by corporations, and immediately thereafter a bill on income tax paid by individuals.

At that time, people will more directly feel the benefits of the reduction of taxation percentages, if, through our great efforts, we manage to ensure that the entire society — even the courts — understands that it is essential to enforce effective deindexation measures.

It is also essential that Congress vote on the provisional measure for deindexation of salaries, and that it should be confident that deindexation will affect not only the salaries but everything.

The entire country will be rid of inflation, and we will have a Brazil where problems will be more easily identified, but where the virtues of those who work, who organize themselves, and who behave reasonably will have more satisfactory results. Thank you very much.

Malan Seen Losing in Economico Bank, Dallari Cases

PY2108155495 Sao Paulo GAZETA MERCANTIL in Portuguese 17 Aug 95 p A1, B4

[Article by Claudia Safatle: "Malan lost points at Planalto Palace"]

[FBIS Translated Text] Brasilia — On 15 August, President Cardoso had to preside over an afternoon meeting with Central Bank [BC] President Gustavo Loyola, and with BC and Planalto Palace legal experts to discuss the legal aspects of the agreement on the

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Economico Bank he concluded with Senator Antonio Carlos Magalhaes (PFL-BA) [Liberal Front Party-Bahia State].

Advisers to the president, to Loyola, and to Federal Counsel General Geraldo Quintao had to draft an official communique to state that the agreement did not entail a commitment to supply national treasury funds to the Economico Bank and that the expropriation of the bank by the Bahia administration — which is conditioned to the Bahia administration supplying the required collaterals — would make it possible for the BC to suspend its intervention in the bank, by placing it under a Special Temporary Administration Regime (RAET). The Planalto Palace staff also had to calm down the members of the BC executive board, who were threatening to resign, and deny reports that Loyola was going to formally tender his resignation on the evening of 15 August.

President Cardoso was thus forced to take on duties that should have been performed by Finance Minister Pedro Malan, who was then visiting Buenos Aires. Cardoso also had to order Malan to return immediately to Brasilia. He was reportedly not pleased at Malan's absence from the country at a time when such an important decision — as the solution to the Economico Bank situation — was to be made. The president did not like the way Malan handled the crisis involving Economic Coordination Secretary Jose Milton Dallari either.

In addition to waiting 72 hours before answering the charges published by the magazine VEJA against Dallari, Malan decided to keep Dallari in his post until the charges were either confirmed or disproved. Yesterday, Dallari appeared before the Supervision and Control Committee of the Chamber of Deputies to respond to the charges and announced that he had tendered his resignation.

Planalto Palace advisers regretted that in both cases Malan caused the president to undergo unnecessary face-losing situations. A source reported that it was Planning Minister Jose Serra who was with the president when he made the decision to meet the demands of Senator Magalhaes.

It has also been noted that Malan was in Europe when then BC President Persio Arida had to appear before Congress to explain that there had been no information leak of the BC decision to change the dollar exchange in March.

No sooner had he returned to Brasilia at approximately 2300 on 15 August, Malan resumed the reins of the process. He met with the BC directors at the home of one of them to calm them down. After receiving a telephone call from President Cardoso, they all went to Alvorada Palace, where they stayed until 0400 on 16 August. They heard a lecture on sociology, politics, and the media from the president and a commitment that nothing, absolutely nothing will be done in violation of banking laws.

Malan's advisers noted, however, that he had been absent from the country for less than two days, that he had conferred with the president on 13 August from 2000 to 2400 to discuss the Economico Bank case, and that he had gone to Buenos Aires only because he had a meeting scheduled with Argentine President Carlos Menem and with Economy Minister Domingo Cavallo. They added that as soon as he fulfilled his official engagements, Malan returned to Brasilia and chose not to attend the seminar for which he had been invited to Buenos Aires.

Yesterday, Malan himself noted at a meeting with government leaders in Congress that the administration had not surrendered in the Economico Bank case, but admitted that the administration had lost the arm-wrestling dispute over the media. The administration's communique explaining the agrement came too late, when the Bahia politicians had already made the newspaper and TV headlines and thus the administration could not clearly state its position. In fact, the Presidency failed to predict the wave of negative consequences the agreement would bring.

Yesterday afternoon, after BC officials requested that the threat made by Sen. Magalhaes (who threatened to disclose a number of charges against BC directors) be investigated, Malan, Loyola, and the BC directors gave a news conference.

Editorial Views Economico Bank Case

PY1908035295 Rio de Janeiro JORNAL DO BRASIL in Portuguese 17 Aug 95 p 8

[Editorial: "A Challenge for Businessmen"]

[FBIS Translated Text] The solution of turning the control of the Economico Bank over to the Bahia administration — sponsored by Senator Antonio Carlos Magalhaes (PFL-BA) [Liberal Front Party- Bahia] at a time when the bank doors were opened only to pay the pensions of the INSS [National Social Security Institute] pensioners — calls for some reflection.

First, we must discard the Manichean idea that there were winners or losers. This is not so. The solution that was found attends to regional interests and it has not undermined the authority of the Central Bank over the national financial system.

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The Special Temporary Administration Regime — applied to the Banespa [Sao Paulo State Bank] and Banerj [Rio de Janeiro State Bank] — is foreseen in Law 2321 of 1987 that updated Law 6024, which in turn regulated interventions and out-of-court liquidations conducted by the Central Bank in March 1974 under the authoritarian regime. The special temporary administration, however, had never been applied to a private bank. This is discrimination that represents a death sentence for any private bank that becomes subject to intervention. The law is thus designed to benefit state-owned banks.

Preserving a centuries-old institution like the Economico Bank, which is 161 years old — the oldest bank in South America — is a praiseworthy attitude, particularly in a country that has lately taken pleasure in liquidating some of its institutions. The disappearance of the Economico Bank, which has taken root in Bahia State, would have brought serious consequences to that region's economy. The inadequate summary procedure of intervention of any bank leads to its liquidation.

When a bank ceases to attract and lend money by engaging in arbitrary financial operations, it loses its raison d'etre as an administrator of the financial resources of its clients. The accounting logic of the bank trustees would lead the Economico Bank to a progressive liquidation of its commercial fund, which would inevitably devalue its assets. A banker will always act differently than a bureaucrat.

As banks operate with support — that is, they lend with authorization of the Central Bank amounts that many times surpass their net worth, but respecting the Basel Agreement norms governing international risk and capitalization — Central Bank intervention is equivalent to a death sentence. In other words, there is no alternative: The shareholders (majority and minority ones) are doomed to lose. And in particular, savers and investors will lose.

If the resources of the Guarantee Fund for Deposits and Real Estate Certificates (FDFLI) and of the monetary reserve (made up of part of the IOF [Financial Operations Tax] collection) are insufficient to allow for returning the money of checking account holders and investors, there is only one way to avoid losses in the short term: To use public money to compensate them. To avoid losses in the long term, the assets of the bank and of the majority shareholders must be liquidated.

In face of the determination of President Fernando Henrique Cardoso, who promised not to spend a single cent of treasury funds to solve the crisis of the Economico Bank, and in face of the traumatic experience of the freezing of savings at the beginning of the Collor administration, the continuation of the intervention would have a seriously devastating effect on the local economy. Given the current difficulties in raising working capital, hundreds of Bahia companies, whose funds are blocked in the Economico Bank, could be forced to call for an agreement with creditors. Such a possibility could represent an incalculable social burden.

Finding a local solution to this problem is more than a political commitment. It is a matter of survival for the northeastern economy, where the Economico Bank marked its presence during the past 161 years. Senator Antonio Carlos Magalhaes is a politician who knows how to fight for his ideas and causes. For months he had been negotiating a Bahia solution to allow a new group to take over the largest financial institution of his state. Magalhaes' negotiations failed, however, because the partners he contacted were not interested in the deal.

Everyone knew that the deadline established by the Central Bank to solve the Economico Bank problem by injecting capital in it was 15 August. It was the same day the Copene [Northeastern Petrochemical Company] was privatized. This was mainly because the main shareholders of Copene were the three largest business groups of the state: the Economico Bank, Odebrecht, and Mariani.

Ever since the parties involved made public the fact that the deal had failed, the situation of the Economico Bank deteriorated rapidly, prompting the Central Bank to intervene in the bank. It was then necessary to find new shareholders capable of recovering the Economico Bank. That is what was sought, based on studies by competent and renowned Bahia economist Daniel Dantas, owner of the Opportunity Bank.

The government did not backtrack. It simply received a good proposal to rescue the bank. From the point of view of taxpayers (those from Bahia and those from the entire country), two official premises must be respected: Neither federal nor Bahia state resources should be invested to save the bank before it is privatized again. That was the commitment assumed by Senator Magalhaes.

Magalhaes, a man who keeps his word and who fulfills his commitments, will have to mobilize businessmen and clients in his state to make the bank solid again under a new administration. It represents returning to the origins of the bank, founded in 1834 by a group of businessmen interested in defending the regional economy.

There are many other considerations about this episode. First, the regrettable Brazilian custom of getting happy when a business fails. In market economies, the bankruptcy of a bank or of a large industrial or commercial

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group is nothing to be happy about; it is a collective disgrace.

Second, the urgent need to reformulate the regulations of the national financial system, ranging from the revision of the role of the Central Bank to the law on intervention. In the United States, the monetary authority knows the social cost caused by the bankruptcy of a bank. This is why its control system comes into action early and it initiates a process of changing the control stock owners.

The Brazilian Central Bank cannot continue living through the Hamlet-like conflict of simultaneously being a monetary authority and responsible for the control of the financial institutions' solvency. A tight monetary policy will invariably affect the liquidity of the institutions.

The Central Bank has acknowledged this by reducing from 85 to 60 percent the compulsory bank deposits on bank checking accounts. Since the beginning of the Real Plan, the Central Bank has withheld 50 billion reals [R] from the banks. This is 10 times greater than the debt of all the banks of the country registered in the emergency credit line the Central Bank — and all central banks of the world — open for banks. The R50 billion compulsory deposit surpasses the amount of money frozen by the Collor Plan.

The Central Bank can exert control, but with responsibility. For example, information leaks must stop. A small difficulty turns into a problem that cannot be resolved. An information leak about companies is a crime in the United States. Why can't this same rule be adopted here to end the political-union crime of corporatism and of certain congressmen?

Congress must be prepared for the challenge of modernizing the Brazilian economy. The reform of the national financial system is one of the most important chapters of the constitutional amendment process because no market economy is solid without a vigorous financial system capable of recycling national savings into the private sector. These are the constructive lessons one must learn from this episode.

Chile

President Frei Addresses Nation, Calls For Reconciliation

PY2208034895 Santiago Universidad Catolica Television Internacional in Spanish 0100 GMT 22 Aug 95

[Speakers identified by screen captions]

[FBIS Translated Text] President Eduardo Frei tonight called upon all Chileans to join efforts in the task of achieving national reconciliation. In his speech to the nation, the president explained that the first project establishes rules to contribute to finding the truth concerning missing detainees. The president recalled that the country has been witnessing the awakening of certain feelings and animosities between the military and important sectors of Chilean society, stressing the fact that this could unleash profound disagreements, and that the soundest thing would be to admit and to acknowledge those disagreements, seeking a constructive solution.

The second initiative modifies the organizational law of the Armed Forces and Carabineros concerning the retirement of generals and admirals, allowing the president of the Republic to fully exercise the powers bestowed upon him by the 1980 Constitution.

He acknowledged that the third project proposes changes in the organization of the constitutional court and of the national security council. The president also expressed his hope in the maturity and responsibility of the political leadership, because it would be incomprehensible for the country if such simple matters could not yield the expected results.

Political leaders of the opposition and of the coalition tonight reacted in different ways to President Frei's message.

[Begin recording] [Party for Democracy Senator Sergio Bitar) We will firmly support the presidential proposal. We will support it totally — not a single project or a single aspect, but the entire project.

[National Renewal President Andres Allamand] We believe that his call to responsibililty and generosity, in general, is quite adequate to what the principles or inspirations must be, principles and inspirations that must encourage us all in this quest for solutions.

[Independent Democratic Union President Jovino Novoa] The Independent Democratic Union feels it is a proposal that, overall, is negative. It represents a step backward relative to what has been achieved thus far. [end recording]

Frei's Proposal Rejected by Rightist Parties, Pinochet

PY2208012695 Madrid EFE in Spanish 0618 GMT 19 Aug 95

[FBIS Translated Text] Santiago, 18 Aug (EFE) — The Chilean rightist opposition and Army Commander in Chief General Augusto Pinochet have expressed, in different ways, their rejection of the proposal by President Eduardo Frei to overcome the pending problems involving human rights and consolidation of democracy.

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The presidential proposal has garnered the support of the ruling Coalition of Parties for Democracy, but was rejected by the Communist Party and human rights organizations.

"If vinegar and oil are mixed, nothing is achieved," Pinochet said in his only remarks on the matter, which were considered an implicit rejection of the presidential proposal. Another round of consultations on the matter will continue today.

Pinochet made these remarks on 18 August after dedicating the month of the Army with a skillfully delivered lecture at the military academy.

The presidential proposal includes reforms to the Armed Forces organizational law, together with a formula to expedite trials for human rights violations involving military officers.

In addition to amending the Armed Forces law and returning to the president the power to remove and designate military commanders, Frei intends to put an end to the designation of senators and to modify the organization and attributions of the Constitutional Court and the National Security Council, considered "authoritarian strongholds" by the democratic sectors.

Gen. Pinochet, on 18 August, also went to the presidential office to be officially informed about the presidential proposal, and after a 40-minute meeting he left without making any statement.

Frei also met with the commanders in chief of the other Armed Forces branches and with leaders of the rightist opposition, and today will meet with the president of the Supreme Court and other national figures.

The most bitter reaction to the presidential proposal came from the rightist Independent Democratic Union (UDI), whose president, Jovino Novoa, termed it "an affront to the country and a step backward in the reconciliation process."

Novoa added that it is not appropriate to try to solve a problem by mixing it up with others.

Jose Joaquin Brunner, the minister secretary general of government (spokesman), said Novoa's bitter reaction was "scarcely constructive, out of step, and regrettable from the political point of view."

The minister said that the government feels there is a real and effective possibility "of realizing serious progress on the path of reconciliation and enhancement of democratic institutions."

Brunner added that the position of the UDI and of the Communist Party — which considers the government initiative an attempt to consolidate impunity — are extreme positions that do not represent the feeling of the country's majority and that could thwart any possibility of solving, once and for all, the transition problems.

When asked about Pinochet's remarks, Brunner said that the government will not comment on them, but added that it is wrong to separate that which is united.

Brunner added: "The problem would be to separate matters which are closely inter-related because they all orignated in the past, and represent an obstacle to progress and to projecting the country toward the future. When the conditions are appropriate, they can be treated in a joint manner."

Nevertheless, although Andres Allamand, president of the rightist National Renewal, termed positive the presidential proposal, he said that "it is not appropriate" to mix up the projects.

Sergio Onofre Jarpa, former senator and minister of the military regime in the past, as well as an active member of National Renewal, said that the proposal "has no future," because the rightist opposition will not support it in Congress.

Sola Sierra, president of the Group of Relatives of Missing Detainees, said that the government proposal means "bowing down and accepting the Armed Forces' blackmail," and added that the government did not consult the opinion of the human rights groups.

In this context, Socialist Ricardo Lagos, public works minister, said that "each must assume responsibility" should the proposal, the details of which President Frei will release next week, fail.

He added that if the proposal does not prosper as a result of failure to obtain sufficient votes in Congress, the people will understand "that some political sectors have not shown the slightest gesture of understanding, solidarity, or aspiration to high-level objectives."

Commentary on Advantages, Disadvantages of NAFTA

PY2208002295 Santiago EL MERCURIO in Spanish 18 Aug 95 p A2

[Commentary by Manuel Barrera: "Reasons for NAFTA"]

[FBIS Translated Text] What are, essentially, the advantages of joining NAFTA? One of them is that it would give assurances with regard to the country's exports to that zone, that is, it would be a source of fruitful commercial stability.

Another advantage would be an increase in U.S. investments in the country, which would generate more and

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better jobs. The third advantage would be the prestige granted by this exclusive "club." That prestige would lead the world community to conduct more trade with Chile and engage in more direct investments. The mere fact of being a member of this club would be like a safe conduct certificate. The fourth advantage would be the creation, vis-a-vis the countries of the North, of agreed upon and well-regulated mechanisms for resolution of controversies, making it possible to avoid incidents such as that of the "poisoned grapes."

These advantages notwithstanding, analysts who support NAFTA agree that its effects on the Chilean economy would be relatively insignificant.

There is nothing spectacular as far as variations in the trade flows, investments, or employment are concerned. This is so partly because the Chilean economy is sufficiently open. The U.S. economy is open to a lesser degree; however, the United States implements, in relation to its imports, the concept of gradual reduction of import tariffs — the lower the value added tax imposed on products, the lower the tariffs. Therefore, NAFTA would not represent an advantage in relation to our current greater exports to the United States and Canada.

The effects of the entry, although suitable, would not be spectacular. What would be the disadvantages?

First, we must recall that today the United States is the greatest producer of agricultural and livestock products internationally. The state provides huge subsidies to those sectors. Most of the Chilean agricultural products should be protected from the free trade encouraged by the treaty. Another sector that would remain in a risky situation would be that of the manufacturing industry, which, like agriculture, has serious problems maintaining adequate levels of competitiveness, given the peso-dollar exchange rate. This sector is strategic in view of the expectations concerning organizing an economy with a value added tax greater than the current value of basic products. Our manufacturing industry is still an incipient and not a consolidated effort, and for this reason is quite assailable.

Another disadvantage would be precisely the supposed greater direct investment. If joining NAFTA causes greater direct investment in Chile, in which sector of the economy would that investment take place?

Overall foreign investment in the mining area in 1994 totaled $1.7591 billion. This represented 69.4 percent of overall investment in the country. Over the past seven years (from 1988 to 1994) investment reached $5.6349 billion (figures by Cochilco [expansion unknown]). According to the mining minister, this phenomenon will be accelerated in the future, because in the next five years it will reach $5 billion. Given the magnitude of these figures, it is not difficult to answer the question raised. Obviously, most of the investment would go to the mining area. Is this suitable? Any citizen who might meditate on the matter would probably think that if so much effort to attract direct foreign minvestment is made, it is because the question of suitability has a solid answer consistent with the country's project, a pondered answer known to all. Unfortunately, this is not the case. Opinion in the country is not clear on the significance of an economy of natural resources and one of complex production. This is even worse because the mining sector has not yet established a solid national private business sector, such as exists in the areas of energy, forestry, and fishing.

Moreover, what real force does the argument of the prestige gained by membership in the club have? Did the regrettable economic and political events in Mexico have less effect on the prestige of the country because it was a member of the club? It is easy to see that for a potential investor, it is better to study the rankings of the Econsult-Duff & Phelps and those of Standard & Poor's when making a decision than to review the subscription to free trade treaties and agreements on the part of the country where investments might ultimately be made.

Other arguments not favorable to NAFTA state that they are economies of very different scales (the U.S. GDP is more than 150 times that of Chile); there are also great differences concerning the level and style of development. These inequalities, together with the cultural values, would not make it advisable to invest so much effort and concern in this treaty.

In this regard, remarks by businessman Felipe Lamarca (EL MERCURIO 16 July) seem wise:

"My mind and my gut instinct tell me that the logical thing is to be more concerned about our neighbors the Argentines, and also the Peruvians and Brazilians, with whom we share some affinities and neighboring markets. NAFTA must be studied thoroughly to know whether or not it is suitable for us. Also, we must review Mercosur [Common Market of the South] and see how one is related to the other."

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Aninat on 1996 Outlook, Social Spending

95SM0459A Santiago EL MERCURIO in Spanish 23 Jul 95 pp B1, B34

[Interview with Finance Minister Eduardo Aninat by Lina Castaneda; place and date not given]

[FBIS Translated Text] The mood of a minister of finance must always be serene because he has to wake up every day with a clear head and ready to handle all the heavy tension and changes in his daily and weekly schedules. At least that is the approach taken by Eduardo Aninat, 47, a Harvard-trained economist, married with six children, who has headed the ministry since 11 March 1994, when the current administration came to power.

Without ignoring the complex and difficult circumstances of recent months, he says that in the privacy of his home, he at least tries to relax and awaken alert and at peace every day. "I am not always successful, but I usually am," he confesses.

For the government in general good news in the economic realm has been somewhat clouded by issues of a political nature, particularly since Supreme Court Chief Justice Marcos Aburto issued a ruling making the legislature responsible for interpreting the Amnesty Law.

The administration has said it would not back such an undertaking until the opposition presents a legal measure aimed at the earliest possible resolution of trials still pending involving human rights violations and establishing legal proceedings for determining the fate of prisoners and missing persons.

Scattered comments targeting the president with respect to this issue, the farmers' protest in San Carlos early in the month, and the injunction before the Constitutional Court opposing the bill passed by Congress adjusting pensions and school allocations to be paid through taxes are not isolated events for the Coalition [Concertacion].

It is Minister Aninat's personal opinion that the news he has been receiving in recent days has been more good than bad. He believes it is very important for the country: to have achieved a risk classification of A by Standard & Poor's—better than the "good" classification given to Chile last month by Moody's; to end the first half of 1995 as the best six months in Chile's modern economic history; and to succeed in making progress on sectorial issues ranging from new social programs to jointly undertaken, shared work with the Office of Secretary General of the Presidency (SEGPRES), the Ministries of Transport, Public Works, and others for the purpose of starting discussions on new projects in the months ahead.

"The news that was definitely 'bad'—I have to admit this in all honesty—was my great personal surprise upon being informed, at 1530 hours on Tuesday, the 11th, that opposition Senators Romero and Larrain had obtained the 15 signatures they needed to take the bill adjusting pensions to the Constitutional Court. While it is true that some senators had individually hinted at such a possibility, I continued to trust that the rationality and idealism of the opposition senators that I know would win out and that they would not ideologize the issue to the extreme that they have.

"The news is not necessarily that negative for the Ministry of Finance and the government, but it came as a stiff blow to those finding themselves without the readjusted check in August. The government will continue its fight on the issue; we shall not give up. We believe that we have taken a fair, balanced position, but the unexpected and, in our opinion, biased injunction is definitely a delay, and we do not like delays."

[Castaneda] The senators are not challenging the social intent of the readjustments, but maintain that the standards set by the bill are unconstitutional.

[Aninat] Well, we shall see what the in-depth analysis that it will be up to the members of the Constitutional Court to make reveals. The first thing I wish to make clear is that personally speaking, as a minister, I fully respect the individuals serving on that court. They must now do their work and carefully weigh the arguments, making an exhausting, rigorous analysis.

Now then, if one examines the combination of arguments found in the presentation made by a number of senators on the right, one realizes that they are superimposing and mixing things. These arguments range from a lack of proportionality and excessive taxes to the issue of pensions corresponding to the private AFP [Pension Fund Managing Companies] system. In other words, they are lumping everything together, which gives me the initial impression that they have assembled disparate parts of diverse content and tone to come up with something totally incomprehensible. I believe that if we are sincere, the issue must also be looked at from a more political angle. Certain sectors wish to carry things to an extreme in order to back the government into a corner, and we refuse to allow this to happen.

[Castaneda] Based on the results of the first half of the year, how do you view prospects for next year?

[Aninat] The foundations for economic growth in 1995 and projections for 1996 are solid and dynamic. What is interesting about everything that is happening with the six-percent expansion rate this year is that growth is distributed across various productive sectors throughout

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the country, in contrast with other years, when two or three sectors enjoyed double-digit growth, while in other areas it was declining or remained at zero.

To give an overview of sectorial growth trends this year, industrial production enjoyed a 5.9-percent increase in 12 months based on known data, while the figure for mining production was eight percent annually. Anticipated growth in construction went from 4.2 percent during the period from January to April to something over five percent during the second half of the year. Electric power was at 7.6 percent in May, and trade as a whole showed an annualized figure of six percent or more. The agricultural and forestry sector had growth of 5.5 percent during the first quarter of the year, and the transportation and telecommunications sector rose 12 percent during the first quarter.

[Castaneda] How do you evaluate coordination between Finance and the Central Bank? Do you feel that the Central Bank has too much control over an important part of the economy?

[Aninat] Coordination is very good, although as a partial complaint—and the comment I am going to make is biased—we would sometimes like the Central Bank to be a bit more cooperative with its policies on growth and development of the various sectors of national activity in macroeconomic terms. This is not intended as a criticism, but we sometimes have the feeling that the Central Bank gives more priority to stability as such—however welcome it may be—and does not observe the evolution of certain productive sectors with the kindness that we reserve for them—because we have our priorities straight.

[Castaneda] Is there a risk that the economy might overheat based on expanded spending that will far exceed product growth this year?

[Aninat] The Central Bank has told us that based on its projections, the annual gap between overall spending and product growth will not exceed one percent in 1995. This allows us to breathe a sigh of relief because when the economy was overheating, that gap increased to 4.5 or five points. This is what happened at the end of 1992 and in early 1993. A gap between spending and revenue of roughly one percent is perfectly manageable. It can be achieved through imports and productivity and in other ways.

Long-Range Tasks

Beyond this year or the bright prospects for 1996, Minister Aninat is looking at basic tasks for Chilean society from the standpoint of both the government and the private sector. The long-range tasks he foresees are primarily in three areas: employment, the labor market, investment and productivity; government and private policies involving the distribution of income; and the challenge of internationalization, a phenomenon that will have a profound impact on the economic and social system.

[Castaneda] What is one to think of the World Bank study released by Minister Arrate showing the uneven distribution of income in Chile?

[Aninat] I accept and recognize that the distribution of income in Chile continues to be very uneven, but the World Bank study does not use its own figures, but rather, a partial interpretation of Casen socioeconomic surveys. It is biased because it breaks down data by persons based on circumstances in the relevant household category. However, it fails to compute government transfers amounting to 13-14 percent of national income which the treasurer funnels directly into the most vulnerable sectors through bonds, Christmas bonuses, subsidies, and other channels.

Based on partial surveys done by the INE [National Statistics Institute], at least between 1988-89 and 1993, 20 percent of all households in the lower income brackets raised their share of the national income by a few points. Even the Gini index, which summarizes distributive aspects, goes from .51 to .47 point between 1988 and 1993.

However, having presented the situation, and noting corrections yet to come and improvements made, however slowly, I recognize that if we take a long-range view, a great deal remains to be accomplished in the social field. This concerns me a great deal because what is at stake is our national, political, and social stability. The Chilean economy has grown for 12 consecutive years, and we cannot ask that the redistributive effects be delayed any longer. Chile has to be more demanding because it has been several years since we have moved beyond macroeconomic structural reforms.

Consequently, there is some doubt about the model of growth as it affects fairness and the economic system. Even with the rise in the rate of investment and strong progress in the country's average income, it would not appear that this benefit is being captured at the same pace by those in the lower income brackets.

[Castaneda] Is it possible to improve the distribution of income by decree, as a result of the so-called trickle-down effect of economic growth, or are there other means?

[Aninat] I think we must generate a wide-ranging discussion on this issue. I am concerned about consistently leaving universities out of the study and analysis of these matters, not to mention private consulting firms,

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experts, and nongovernmental organizations (NGO's). I believe the effort must be varied, all-embracing, and diverse in terms of steady progress on the social investment quota contemplated in the budget, continued support for policies aimed at encouraging production by government action, and coordinated social efforts of the different ministries in their own programs.

We must make a diversified effort because I am convinced that if the private sector, particularly businessmen in all fields, does not pump gas into the social effort, we could once again generate social problems in the years ahead.

I have the impression that big business and many of the trade associations are very fat and satisfied, enjoying well-deserved economic success and very strong growth in macro-terms. However, they have somehow assigned a lower priority to their social concern and sensitivity which they have manifested more strongly at other times in our history.

I notice—as do many people in the political system—a change in the tone of business language, the language of the leadership of the major associations, which now focus on criticizing any action in the social field or any expenditure that the government makes. However, they have failed to offer any more creative solutions and are tending to become too ideologized or rigid with respect to the consideration of any tax, even if concentrating on consumption, as an aspect on which there is some consensus that it is what must be limited or regulated.

I am not talking about the so-called "trickle-down" theory, but about continuing to have margins in the public budget in order to pursue social spending even more vigorously and continue to close off tax loopholes. We need to probe the public's mood so as to see whether additional efforts can be made in certain areas by sacrificing private consumption and joining with the private sector, businessmen, and workers to mobilize efforts aimed at promoting production in the social area (participatory programs for paving projects or shared financing in education, for example).

Overview

Another fundamental question posed by Minister Aninat has to do with how much and how fast the country wants to move into major international arrangements such as the North American Free Trade Agreement, NAFTA in English, the Common Market of the South, MERCOSUR, and the European Union, concerning which Chile is undertaking international negotiations.

If such negotiations are successful, the result will be tariff reductions on both sides. As a result, the domestic economy will face greater competition from imported products and services that will enter with low duties.

Aninat observes that when projected over five or 10 years, this integration will bring about profound qualitative changes in Chilean society having a sociological and cultural impact in terms of the rural-city relationship, education in the future, migrations, and other matters that could in any way generate tensions. For example, he says that we must ask ourselves if we want to "Miami-ize" Chile in terms of its culture and values, a phenomenon involving some positive aspects and others that differ from the country's traditions.

"What we must understand is that we have five years left to go in the 20th century, meaning that the 'long run' is already upon us. The speed of change is crucial, as has been noted by exporters, service sectors and some highly skilled workers. That is why it is important to reflect."

[Box, p B34]

Business leaders agree on the need to increase public savings in order to reduce interest rates and make it possible to support the exchange rate, which will help solve problems now faced by such sectors as agriculture.

They also generally reject the labor reforms being debated in Congress, reforms they deem unnecessary and a source of conflict in the business-workers relationship.

The minister responds briefly to each issue:

Increasing public savings: I must note that the famous Professor Rudy Dornbusch expressed his amazement and surprise over the Chilean Government's effort to achieve a gross rate of treasury savings of 4.8 percent, a very high figure compared with other countries of a similar size and history, as a result of which he was not surprised that we obtained a risk classification of A.

My response is: How can they ask us, on the one hand, to raise the gross rate of savings of the tax sector and, on the other, to preach that we need to spend more on a number of productive sectors, including agriculture. I find a sharp contradiction in these claims.

Labor reform: The government does not agree with the challenge expressed by the business sector. To put it very briefly and very simply—because we believe that if Chile truly believes itself to be the vigorous, emerging country of note A—and if it is to be truly developed in the next century, then it must also modernize its labor system.

Reducing tariffs: Reducing tariffs is an item that is always on our agenda, but one that we must be very careful in handling and for two reasons: first of all,

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because of the collections we would lose, based on such a tight margin imposed on any tax reform by the opposition, and how to replace the loss; and second, because of the impact on trade negotiations with third countries.

I would not rule out a tariff reduction, but we must see when it is timely, based on the figures.

Reducing the interest rate: We have a dialogue every Thursday with the Central Bank. We believe that it has recently been making some progress—even if not at the speed that some might wish—on handling interest rates in a far more active manner. Over the past year, long-term paper for over eight years has dropped from real rates of 6.2 percent to nearly 5.6 percent in recent days, and I believe this has helped such sectors as construction and trade.

The Central Bank always points out that it must be cautious in taking any action on the matter because its fundamental concern is the question of inflation. We are free to make observations or commentaries, but we must respect the fact that the area of monetary policy is primarily the dominion of the Central Bank and not the Treasury.

Colombia

Popularity of Samper, Ministers Gauged

95CA0343A Santa Fe de Bogota SEMANA in Spanish 1 Aug 95 pp 40-44

[Unattributed article]

[FBIS Translated Text]

A Year of Popularity

If everything could be expressed in numbers, not words, Ernesto Samper would really have nothing to worry about. His first year could well be described as complex or controversial, but in terms of the figures revealed by the polls on his popularity, the chief executive remains as solid as a rock. It is true that he has suffered some of the natural wear and tear of having been in power for 12 months—but his popularity remains above 60 percent, according to the poll conducted for SEMANA by Gallup Colombia. In spite of the jolts that are part and parcel of national life, Samper is still highly thought of by a majority of the population, and is much more popular than his administration or its main programs.

This factor is far from insignificant. Thanks to his popularity, the chief of state is still able to arouse feelings of solidarity with his person and his administration. Regardless of the snags that have hit high-profile goals such as the Social Pact to lower inflation, Samper still commands the support he needs to once again put himself in charge of matters.

Nevertheless, it is also obvious that in this regard time has started running out on him. With the sole exception of the victories over drug trafficking, the administration's other endeavors receive very low marks from Colombians. Consequently, very intensive efforts will be needed to regain credibility in all of the areas in crisis or, at least, some of them.

Perhaps the most ironic thing of all is how events have proven observers wrong. When his term began, the thinking was that the chief executive would do a very good job with the economy, a good job in social matters, so-so with the guerrillas, and poorly in the struggle against drug trafficking. A year later the impression is completely the opposite. The only thing that remains to be seen now is whether the president of Colombia can use his popularity to give a second wind to an administration that needs some of the good numbers that Ernesto Samper Pizano has.

Technical Data

The poll was conducted on Tuesday 25 and Wednesday 26 July by Gallup Colombia through 600 telephone interviews of men and women over the age of 18 in the four major cities. The margin of error is plus or minus four percent, with a confidence interval of 95 percent.

The President's Image: Do you have a favorable or unfavorable opinion of President Ernesto Samper?

Response	December 1994	April 1995	July 1995
Favorable	76	64	63
Unfavorable	12	20	25

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Samper's Performance: Taking everything into consideration, are you satisfied or dissatisfied with the way in which Ernesto Samper has performed as president of the republic?

Response	October 1994	April 1995	July 1995
Satisfied	59	55	52
Dissatisfied	14	28	36

Better or Worse: Has President Samper turned out to be better than, worse than, or just as you expected?

Response	October 1994	April 1995	July 1995
Better	22	20	20
As expected	51	51	45
Worse	7	20	28

The Country Under Samper: Do you think that under Ernesto Samper the country has done well, poorly, or the same as before?

Response	October 1994	April 1995	July 1995
Well	54	41	39
The same	28	32	36
Poorly	6	19	21

Senior Officials: Do you know or have you heard of the following persons? Do you have a favorable or unfavorable impression of them?

Name (percent recognition)	Response	October 1994	April 1995	July 1995
Vice President Humberto de la Calle (97)	Favorable	74	66	66
	Unfavorable	7	16	17
Interior Minister Horacio Serpa Uribe (92)	Favorable	72	61	63
	Unfavorable	6	18	14
Defense Minister Fernando Botero Zea (91)	Favorable	55	56	62
	Unfavorable	8	13	12
Comptroller David Turbay Turbay (86)	Favorable	31	28	23
	Unfavorable	23	26	44

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Name (percent recognition)	Response	October 1994	April 1995	July 1995
Prosecutor General Alfonso Valdivieso (81)	Favorable	39	41	52
	Unfavorable	7	12	14
Transportation Minister Juan Gomez Martinez (70)	Favorable	30	33	25
	Unfavorable	6	11	14
Development Minister Rodrigo Marin Bernal (66)	Favorable	30	33	25
	Unfavorable	8	11	15
Finance Minister Guillermo Perry (61)	Favorable	21	25	25
	Unfavorable	7	11	13
Agriculture Minister Cecilia Lopez Montano (60)	Favorable	29	36	33
	Unfavorable	3	10	9
Attorney General Orlando Vasquez Velasquez (55)	Favorable	20	25	20
	Unfavorable	9	11	15
Justice Minister Nestor Humberto Martinez (53)	Favorable	23	22	29
	Unfavorable	4	6	6
Commerce Minister Daniel Mazuera (50)	Favorable	22	20	23
	Unfavorable	5	7	9
Labor Minister Maria Sol Navia (51)	Favorable	14	17	19
	Unfavorable	2	9	11
Communications Minister Armando Benedetti (47)	Favorable	18	23	19
	Unfavorable	3	5	8
Foreign Minister Rodrigo Pardo (48)	Favorable	21	18	22
	Unfavorable	3	5	6

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Samper and Our Major Problems: On a scale of one to five, one being the lowest and five the highest, how would you grade Ernesto Samper's performance so far in solving the following problems?

Problem	October 1994	April 1995	July 1995
Unemployment	2.7	2.6	2.5
Drug trafficking	2.5	2.6	3.4
Cost of living	2.4	2.4	2.1
Corruption	2.4	2.4	2.5
Guerrillas	2.3	2.2	2.2
Law and order	2.2	2.2	2.1
Poverty	2.2	2.2	2.0

New Ministers: A few days ago President Samper replaced some of his ministers. Do you personally approve of these changes?

Response	Percent
Yes	49
No	11

Church-Led Commission To Address Violence

95CA0342A Santa Fe de Bogota EL ESPECTADOR in Spanish 5 Aug 95 p 6A

[Unattributed article: "Church Fills Peace Commissioner Vacuum"]

[FBIS Translated Text] Santa Fe de Bogota—At the request of the Episcopal Conference and in light of the vacancy in the office of the high commissioner for peace, the National Reconciliation Commission was created yesterday. Made up of three former foreign ministers, two former delegates to the Constituent Assembly, two bishops, and the president of the Friends of the Country Economic Association, it will work for a negotiated settlement of the armed conflict.

"We are asking them to refrain from any escalation that might further jeopardize the chances for peace," they say in their declaration.

The president of the Episcopal Conference, Monsignor Pedro Rubiano, who will be the commission's spokesman, announced that the commission has been established because "there is a danger that the process will come to a standstill, and it has to be invigorated." He then clarified that the commission is completely independent of administration policy, while other members categorically denied that the Executive Branch had been consulted as to its makeup.

The commission consists of Monsignor Rubiano and the secretary general of the Episcopate, Monsignor Luis Gabriel Romero; former foreign ministers Augusto Ramirez, Alfredo Vasquez, and Diego Uribe; former Constituent Assembly delegates Alvaro Leyva Duran and Angelino Garzon; the president of the Friends of the Country Economic Association, Jorge Mendez Munevar, and the assistant editor of the newspaper EL COLOMBIANO, Ana Mercedes Gomez de Mora.

First Declaration

As its first act the commission issued the following declaration:

"1. Overcoming violence, building peace, and national reconciliation are urgent, priority tasks for us. As Colombians, we identify with the deep-seated concern of the entire society over the ongoing violations of the right to life, of Human Rights, and of International Humanitarian Law.

"2. In light of the current status of the peace processes,' with the peace commissioner having resigned and the administration having decided to adopt a wait-and-see attitude about the insurgents' reaction, it is imperative to continue the efforts to find a negotiated political solution and to propose ways of bringing the feuding parties closer together and of reconciling radicalized sectors and groups.

"3. Called together by the president of the Episcopal Conference, Monsignor Pedro Rubiano Saenz, we have established an independent commission, whose purpose is to develop prescriptions for overcoming the difficulties that are currently thwarting a meeting between the

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two parties to the conflict so that they can begin negotiations and thus successfully carry forward the reconciliation process that we all long for."

Comprehensive Peace

Responding to a question about the commission's scope of action, Monsignor Rubiano clarified that "when we say all of the elements of violence, we mean all of them, not just the paramilitary groups and the guerrillas, but street violence as well."

"Set Aside Feelings"

Another group of nongovernment organizations, including the Andean Commission of Jurists and Cinep [expansion not given], asked the administration to appoint a peace commissioner, to set up an international commission of guarantees for a dialogue in Uribe or possible other sites, and to allow the international community to help bring about the necessary rapprochements.

In their statement yesterday, they said that "the high commands of the Military Forces and the commanders of the Revolutionary Armed Forces of Colombia must set aside any feelings associated with questions of military honor in connection with the territory of Uribe, for the sake of the supreme good of peace that all Colombians are demanding, and must enable talks to begin at a time when worrisome clouds of skepticism and mistrust are again hanging over the peace process."

Skepticism Over Peace Commission Prospects

95CA0342B Santa Fe de Bogota EL TIEMPO in Spanish 8 Aug 95 p 4A

[Editorial: "Another Commission"]

[FBIS Translated Text] With noble intentions, distinguished Church hierarchs have named a group of citizens to a commission that rather than take action will seek a rapprochement between the guerrillas and the government to achieve peace. Our first observation is that this is a heterogeneous commission made up of priests and representatives of the left, of political parties, and of influential segments of national life. How strongly we have championed peace. So many commissions have been appointed. The government has tried so many angles, leading us to believe that national reconciliation will be achieved soon. Every door has been tried.

Unfortunately, guerrilla violence continues, and hence it is unlikely that most Colombians, who are eager for national reconciliation, will be psychologically prepared to achieve their highest aspiration, which is to see an end to the bloodshed in our country. Moreover, the guerrillas have stepped up their activities during these national holidays. Fortunately, government forces have been able to repel their attacks at the sites where they sought to disturb the peace. But there were dead and wounded on both sides. In short, the war drags on. But our unshakable desire must be to end the hatred and to see those who today brandish weapons engaged in creative work.

Let us accept the generous idea that a rapprochement is a positive step. However—and we hope that this does not come to pass—let us also prepare ourselves to see the guerrillas once again defeat the Church's good intentions. Among those on the commission are well-known figures who justify the guerrillas in spite of their abominable acts. While not sharing their kind view, we do think that they can become the architects of a rapprochement. Perhaps the rebels trust them a bit more than they do other commissioners, who are already bored and have the taste of frustration still fresh in their mouths.

A rapprochement would be the first step towards the guerrillas' giving convincing evidence that they want peace. It is a door that must be tried, because it would be unfair of us not to acknowledge that the administration has done almost everything it could have done to bring an end to a struggle that is doing nothing but psychological and material harm to Colombia.

The Church, which has saved so many souls in a land buffeted by coarseness and bloodshed, would enjoy its greatest success if it managed to bring our fellow countrymen together so that public and private capital—in other words, all hard-working Colombians—could yield fruits that would further the country's growth.

Peru

Government Denies Lacking Alternative To Brady Plan

PY1808212895 Lima EXPRESO in Spanish 11 Aug 95 p A18

[FBIS Translated Text] Although it was publicly made known that Peru had purchased its foreign debt papers from the secondary market, according to reliable sources, this fact should not have negative repercussions on Peru's negotiations with the commercial banks that are creditors.

Fears that the revelation of this news would have a negative impact on the negotiations concerning the pending debt with the banks have thus been dispelled.

The sources argued that there were two reasons for this. First, although on purchasing the debt papers from the secondary market, Peru was showing preference toward

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other creditors rather than those represented by banks at the Debt Committtee, all parties act based on the same information and under the implicit understanding that a debtor makes use of a legitimate mechanism of the market to purchase its own debt papers, and that the amount of said debt is an instrument of negotiation.

Second, all parties also know that the original creditors sold those debts years ago, and that the price agreed upon today represents a profit relative to the small or nonexistent value those papers had until the very recent Peruvian economic recovery.

The sources added: "Of course, it is good for Peru to reach an agreement with its creditors," giving up any attempt to consign the debt to oblivion or to suspend payments. They added: "But this does not mean that Peru must necessarily join the Brady Plan, much less give the impression of not having alternatives."

The alternative exists, apparently, provided that the prices of the debt papers were not increased significantly in the secondary market.

They added that this is so much so that "agents keep purchasing them in the secondary market on behalf of corporations or individuals, in the hope that their prices will rise considerably when Peru joins the Brady Plan."

They noted, however, the fact that the Peruvian Government could also purchase the papers through intermediate agents, whereby it would reduce the remaining debt, which is still pending negotiation with the creditor banks.

Besides, if this is the case, Peru could decide not to join the Brady Plan, and thus the holders of the Peruvian debt papers will have to accept the price Peru would like to pay for them, provided that there were no purchasers other than the Peruvian Government.

According to what has been learned, internal and external pressures on Peru to join the Brady Plan could be very strong due to the interests behind them. In the United States, unlike Peru, there is a law that rules the activity known as lobbying [preceding word in English], in favor of interests which, in an open and transparent manner, call for certain options that favor or are suitable for their clients.

EXPRESO has also learned that the Peruvian Government had reportedly contracted the services of the important Cole & Corette firm in the United States. Although the nature of the contracted services has not been specified, the sources added, "lobbying" in favor of Peru's entry into the Brady Plan should be ruled out.

The creditors, however, whose interest is to encourage Peru to join the plan designed by the former Treasury secretary, had reportedly contracted the Sherman & Sterling Company, reaching an agreement to pay $5 million for its services. This figure perhaps would not seem excessive in U.S. judicial conflicts. It is not known whether those legal services include "lobbying," or whether the prestigious legal firm is not dedicated to that activity, which requires registration in a special legal record.

Tudela Foresees Being Pacific Basin Power

PY1808171395 Lima LA REPUBLICA in Spanish 1 Aug 95 p 9

[FBIS Translated Text] New Peruvian Foreign Minister Francisco Tudela today called upon all Peruvians to join efforts to turn the country into a true power of the Pacific Basin.

Assuming office during a strictly protocolar ceremony at the Ambassadors Hall of the Torre Tagle Palace [Foreign Ministry], Tudela called upon all Peruvians to make this a national objective.

"All our efforts must be focused on this objective, and together we will turn Peru into a power of the Pacific," he said.

The press was allowed into the ceremony knowing the foreign minister would not make any off-the-cuff remarks.

In his speech Tudela said Peru must strengthen its relations with Pacific Basin members, especially those of the South Pacific.

The foreign minister said that without forgetting its former role, the Foreign Ministry must now assume the objective exploiting the comparative advantages Peru has in the economic area.

For this reason, he said, it is essential to achieve economic objectives in the Pacific Basin and in the rest of the region to strengthen the country's growth. Turning the country into a power should be one of our national objectives, which should be achieved with absolute tranquility.

Tudela said that all this must be attained within a climate of tranquility. Foreign relations must be characterized by tranquility within order.

Foreign policy obtains victories in times of peace, the new foreign minister said, referring to criticisms from the opposition.

His words were interpreted as a response to those who question the executive branch's interest in signing the Lima Conventions with Chile.

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Signed in 1993, President Fujimori personally removed them from Congress in August 1994, during his re-election campaign, against the adverse reaction of public opinion, and especially against strong protests of the people from Tacna.

His words were also interpreted as an explicit response to those who demand explanations about the agreement for the establishment, as of today, of a demilitarized zone on the border with Ecuador.

On 30 July, the new foreign minister referred to the Lima Convention issue, saying that its signing is a priority for the government which hopes to enter the 21st century "without any border tension."

Tudela said that the time is over when the best foreign policy was that of gunboats and cannons, when weapons were used to impose upon nations.

He said that power in the past was that of the military which based their power on the Armies and on weapons, but that things have now changed. Development and prosperity of the peoples now prevail in the international order.

Present at the ceremony to introduce the new foreign minister were the main officials of that ministry, among them, Vice Foreign Minister Eduardo Ponce and Ambassador to the OAS Beatriz Ramaciotti.

Dozens of ambassadors crowded Ambassadors Hall to greet the new minister and to bid farewell to outgoing Foreign Minister Efrain Goldenberg.

In an emotional farewell speech, Goldenberg said that during the 23 months he led the Peruvian foreign policy he learned of the top professional level and the quality of the people who work at Torre Tagle Palace.

He said that those who say the best times at Torre Tagle have passed should change their opinion considering the recent diplomatic events and the way they have been handled.

The introduction of the new minister enabled Tudela to present a sketch of his work plan and to stress the economic factor. The main objective is the quest for new markets for Peruvian products.

Tudela's speech enabled him to stress the role of the Foreign Ministry in negotiations to solve the "impasses" with Ecuador.

Among those achievements, he pointed out the Itamaraty Declaration and the later declaration of the Guarantor Countries that served to overcome the state of undeclared war on the border.

Tudela also stressed Goldemberg's "great intelligence" in handling the foreign policy, and added that his designation does not imply a change of style in handling the Foreign Ministry.

He then spoke about the need to continue the work developed by Goldenberg, adding that there is no need for changes.

The new foreign minister hinted his concern over the government image abroad. He stated that the country is living a "state of law" and that he expects to convey this image abroad.

Tudela Calls on Diplomats for 'Perfection'

PY2108161695 Lima EL COMERCIO in Spanish 4 Aug 95 p A5

[FBIS Translated Text] In his message on 3 August on the occasion of the institutional day of the Peruvian diplomat, Foreign Minister Francisco Tudela demanded a flawless understanding of traditional international policy together with a knowledge of the new international phenomenons of economic policy.

"New realities that are emerging at the end of the century make us see that those capabilities must be perfected and taken to a higher plane in order to achieve the difficult objectives of the future with absolute assurance and confidence," he stressed.

In his address to the Peruvian Diplomatic Service, Tudela emphasized that the 21st century is only five years away, "which gives us an institutional challenge."

"Based on the future, we must forge a clear and realistic vision of our national objectives. The traditional defense of our sovereignty, the promotion of the country's political and economic interests abroad, and the creation of solid and beneficial links within the region, together with Peru's vigorous presence in the new scenarios of the world's economy — such as the Pacific Basin — are the objectives which must be tenaciously achieved and preserved," the foreign minister said.

"The Peruvian Diplomatic Service is a body that has served Peru over its more than 100 years of tradition and it has served the country well. During the dramatic times of national history, Peruvian diplomacy has overcome critical situations and it has also harvested victories without the use of arms," the minister maintained.

Ambassador Jorge Voto-Bernales, president of the Diplomatic Service Officials Association, publicly honored the predecessors and the pundits of the diplomatic service.

He also spoke about the role that diplomacy has to play in the economy.

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"The economy has definitively entered the everyday work of diplomacy as the interrelationship among states grows incessantly. The multiplying of those shared interests not only strengthens political ties but it is also a key factor for the development and fulfillment of the national destiny," Voto- Bernales said.

"Peruvian diplomacy," the official continued, "which always knew and still knows how to respond to the important challenge of defending its territory — thanks to our incontestable legal patrimony — faces extraordinary challenges to enhance the great national effort to project Peru's image abroad with the intention of firmly placing Peru within the currents of progress, modernity, and welfare."

It was then that the diplomatic representative pointed out the need for continuous learning, "a discipline of periodic learning, of perfection, in order to avoid losing the impetus in the action and the contact with the ever-changing realities of international life."

Voto-Bernales also highlighted the participation of the woman in Peruvian diplomacy because she has entered and won her space with competitiveness and with a spirit which honors her.

Congress Leader Denies Postponement of Municipal Elections

PY2108222295 Lima EL COMERCIO in Spanish 3 Aug 95 p A4

[FBIS Translated Excerpt] Carlos Torres y Torres Lara, second vice president of the Peruvian Congress, yesterday emphatically stated that the municipal elections scheduled for November will not be postponed.

He stressed: "Nobody has ever thought about that possibility."

He asserted, however, that pending electoral issues will be discussed during the first sessions of the Committee for Constitutional Affairs and that the president of the National Election Board [JNE] will be invited to the plenary session of the mentioned committee.

As for the JNE draft bill on Provincial Election Boards, he said it will probably be promulgated in the next few days, "or the Executive Branch will make its observations regarding this draft bill."

Torres y Torres Lara said that "our intention is to pave the way for the electoral process to develop normally."

He also announced that the first public session of Congress will be held tomorrow, 4 August. On that occasion the various committees and their respective presidents will be elected. They might all be headed by government representatives.

He added: "For the time being we believe that if we have been given the responsibility in our capacity as majority bloc, it is our duty to fulfill the established objectives. For this, we believe that the leadership, in general, of each committee should be in the hands of the governing majority so that we may be held responsible for what we do right or wrong." [passage omitted]

JNE President Urges Law for Provincial Election Boards

PY2108225095 Lima EL COMERCIO in Spanish 3 Aug 95 p A4

[FBIS Translated Text] JNE [National Election Board] President Ricardo Nugent yesterday demanded the urgent promulgation of the rules for the establishment of Special Election Boards in provinces.

As everyone knows, the law currently in force states that the members of the mentioned boards will be picked from a list of 25 citizens who reside in the zone. A commission comprising three district attorneys of each province will be in charge of making the list.

Nugent stated that only 36 of the 192 national provinces have that number of district attorneys.

He explained that "the amendment law, which has already been approved by Congress, proposes that where there are only two district attorneys, they both comprise the commission. Furthermore, where there is only one district attorney, the commission should be comprised of the district attorney and the registrar [registrador]. If there is no district attorney, the commission should consist of the registrar only.

Nugent voiced his concern over the delay in the promulgation of the aforementioned rules: "This is very urgent because otherwise the candidates don't have the wherewithal to register. If not, elections can only be held in 36 Peruvian provinces."

"The deadlines are very short. If this takes a few weeks longer, there will be serious problems in terms of complying with the elections calender," he asserted, attributing the delay by the Executive Branch in promulgating the law to "bureaucratic problems."

Moreover, Nugent said that yesterday he held his first meeting with ONPE [National Electoral Process Office] president Jose Portillo. He said: "It was a first meeting, during which we informed him about the overall mechanism of the electoral process."

He dismissed the possibility of an overlapping of functions with the ONPE and added that "this could probably happen between the ONPE and the National Identity and Public Registry but, for that, in compliance with the

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Constitution, the JNE has the power to supervise the two other bodies of the electoral system. This gives the JNE a different hierarchy. From the technical viewpoint the three organs are autonomous, but the JNE is more hierarchical than the others."

Peace Process With Ecuador Viewed

PY2108210095 Lima EXPRESO in Spanish 9 Aug 95 p A2

[Editorial: "Without a Continuity Solution" by Alejandro Deustua C.]

[FBIS Translated Text] With the coming into effect of the demilitarized zone in the upper Cenepa River region on 1 August, the pacification phase of the Itamaraty Declaration has been practically concluded. From the enforcement of a cease-fire — which was the starting point for the aforementioned declaration — to the separation of forces, the gradual and reciprocal demobilization, and the agreement on the conceptual and physical definition of the demilitarized zone on 25 July, the process of understanding initiated by this agreement has been constant and continuous. For more than five months, this process — which actually goes back to 25 January when guarantor countries publicly began discharging their duties (Communique No. 1), although it didn't commence until 17 February when both belligerents and guarantor countries agreed on the specific framework (the Itamaray Declaration) within which negotiations were going to be conducted — was never ruptured. The multilaterally committed political will (that is, compliance with the principle stipulating that agreements of the parties must be observed) of the state apparatus (including the support of the OAS, the United Nations, and the G-7), which channeled this will, coupled with the efficiency of diplomatic means — which effected this will — and the perseverance of military operators — who enforced it on the terrain — acted as a check on military friction, animosity between political leaders, civilians' ill-will, and the eventual impatience of diplomatic protagonists.

As a result of this, in the area where combats raged, there is at present a strategically balanced demilitarized zone monitored by the MOMEP [Ecuador-Peru Military Observers Mission], which does not prejudge the parties' legal positions and is endeavoring to find a definite solution to this territorial dispute.

The constructive dynamism of this result is politically superior to the status quo prevalent prior to the border conflict, in the sense that the requests for finding a solution are more numerous than the predisposition of some sectors to oppose it. Strategically, this result is much more promising than the one that would have been achieved by an open war or a settlement by purely military means — as some sectors from both feuding parties wanted at that time — the material and emotional cost of which would have blocked the possibility of arriving at a solution for an indefinite time in the future. The usefulness of diplomatic efforts as an efficacious means to consolidate territorial sovereignty and as an optimal complement to military efforts is there for everyone to see. The fact that the perfecting of its first major global result — peace between both belligerent countries — had taken five months to achieve is only proportional to the seriousness of the conflict. It is only to be expected that the search for a lasting peace to settle a dispute that has been going on for 45 years will take considerably longer than six months.

In this peace process, we are going to come across several dilatory elements, which are — only apparently — exogenous to the negotiations. The most foreseeable ones concerning Ecuador will be those resulting from its unwillingness to make decisions on an issue that compromises national conscience in the runup to the elections, which is taking place in a context of strong domestic discontent on account of the social and economic situation of the country. The imprecision of our neighboring country's negotiating position and objectives so that they can meet the Rio de Janeiro Protocol do not constitute the only trouble with which Ecuador will embark on this process.

With regard to Peru, the most predictable difficulties will lie in the problems to reach consensus on considerations not strictly included in the Rio de Janeiro Protocol, which might contribute to define the territorial dispute (such as the adoption of a more flexible stance entailed in President Alberto Fujimori's proposal concerning arbitration by the Holy See, which has been verbally withdrawn) as well as possible difficulties arising from the definition of the broadest possibilities for Ecuador to have access to the Amazon region, but that do not entail a cession of sovereignty on the part of Peru.

If these difficulties are not overcome, they may significantly contribute to the loss of the reconciliatory and progressive momentum that the current process has achieved. If negotiations are interrupted or delayed (for example, by prioritizing only complementary confidence measures), the mutual advantages of having a zone under conflict subject to a demilitarization process overseen by third parties in an area of difficult control may not only vanish, but may eventually retrogress if one of the parties — being frustrated by the delay — decides to reconquer positions in this zone. The demilitarization of the zone in which conflict occurred has strategic value (in a diplomatic sense) only as long as the neutralized

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physical space is filled with negotiations sending credible signals to the effect that a lasting solution to this border controversy is feasible within a reasonable timeframe.

This is why the foreign minister — who is being hounded by the press with questions — ought not to a priori rule out the possibility of continuing to hold talks with Ecuador at meetings, like the forthcoming Rio Group meeting, in which the highest ranking authorities of guarantor countries (except for U.S. authorities, who can send representatives) will also participate. As the foreign minister very well knows, when a matter has to be dealt with in a manner different than the forum one is attending, negotiators tend to "change approach" to elucidate that matter which — like the Peruvian-Ecuadoran conflict — continues to be more urgent than people think and is no longer so bilateral as people imagine.

If in spite of all that, negotiations are delayed beyond what is reasonable, then the perfecting of the Lima Convention should be given priority. Peru cannot afford to maintain for a long time a demilitarized zone on its northern border in an area that is being claimed by Ecuador while the process geared to the final enforcement of the 1929 treaty does not contribute to the consolidation of the friendly relations existing between Chile and Peru, much less when the Chilean Armed Forces do not have a stable relationship with the civilian authorities. The loss of specificity in dealing with the Lima Convention — for which the incumbent administration is responsible — has increased. The perfecting and ultimate signing of the Lima Convention, therefore, demands a keener search for the necessary consensus.

Meanwhile, in order to maintain the momentum in our negotiations with Ecuador, we must reiterate to our northern neighbor that the unparalleled effort galvanized in South America to arrive at a lasting solution to the border dispute requires decisions that are in keeping with the regulations that have thus far uninterruptedly governed the peace process.

Uruguay

President Addresses Nation on Mercosur

PY2108124995 Montevideo EL PAIS in Spanish 12 Aug 95 p 9

[FBIS Translated Text] In a brief message to the people last night, President Julio Maria Sanguinetti stressed that by assuming the pro-tempore presidency of Mercosur [Common Market of the South] Uruguay assumes responsibility for key initiatives in the integration process.

Uruguay assumed the presidency of Mercosur on 5 August. This is a heavy yet exciting responsibility, not just for the government but for the whole country. For the next six months, until the end of the year, we must consolidate Mercosur, make it proficient, and enhance its international standing. For its consolidation we must first strengthen its institutions, obtain congressional ratification of the Ouro Preto Agreements, and get the private sector to function. This is at the basic institutional level.

Second, we must make it proficient in its trade relations. Over the past few months there have been difficulties and problems, but they are being resolved. We must now stabilize this relationship and set an effective goal for our industrial and agricultural products, and for services.

Third, we must consider future additions. These begin with some sister countries within ALADI [Latin American Integration Association], specifically Chile and Bolivia — the first countries we must win over. We hope the current negotiations with the EU will conclude during the summit of European chiefs of state in Madrid.

This is a vast and important program. Uruguay, exercising the presidency, must take the initiative. It is a vast and important program, but it is filled with hope and once again we are certain we will advance if we join efforts with a sense of responsibility and capability.

Protection for the Textile Industry

Argentina and Brazil will propose to Paraguay and Uruguay, the two other Mercosur members, that this economic bloc should protect its textile industry from Asian competition.

The Brazilian textile industry has told the government it will invest $15 billion over the next five years if protectionist measures are implemented to lighten the crisis that the sector is suffering due to the import of textiles, mainly from Asia.

Carlos Magarinos, Argentine industry secretary, explained that the intention is to apply specific import duties on textile products that are included in the customs list.

Magarinos said Argentina and Brazil are studying a joint proposal that they will submit to the Mercosur Textile Subcommittee meeting on 20 August.

Federico Alvarez, interim industry and commerce minister, confirmed on 8 August that Brazil will gradually close its market to textiles from China and, simultaneously, facilitate imports of Uruguayan wool and its by-products.

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Alvarez reported that the 30 day limitation for Uruguayan wool imports was abrogated as of 11 August and that there is now no time limit on imports of woolen clothing.

At the same time the government will increase from 18 to 70 percent the tariff on 13 textile products that are manufactured with synthetic materials. This will mainly affect Chinese products.

Difficulties for Uruguay

During the past few weeks the Uruguayan textile industry denounced a long series of difficulties that hamper the industry due to protectionist measures implemented by Brazil which requires importers pay cash for clothing manufactured in Uruguay, and on products imported into Uruguay which enter at dumping [preceding word in English] prices, in other words, at lower than cost prices, which is an unfair trade practice that harms the local textile industry.

Magarinos reported in Buenos Aires that the first step to establish a protectionist regime against imported textiles from Southeast Asia involves harmonizing tariff policies with Brazil with an eye to limiting imports to the needs of the real consumption of the markets of the two countries.

Magarinos maintained that Mercosur, the largest trade bloc in Latin America and the fourth in the world, must get in step with the international rules and regulations pertaining to the textile trade.

He said the proposal that Argentina and Brazil are studying will be in accordance with the rules and regulations of the WTO and the Textiles and Clothing Agreement.

"The world textile industry conforms to regional standards and faces quantitative and duty restrictions that are applied both by the EU and by the United States," he added.

Argentina applies import quotas and specific import duties on 615 of the 840 types of products on the customs list.

Negotiations with Brazil began at a time when the government in Brasilia was preparing similar measures that are compatible with the rules and regulations of Mercosur, which at the beginning of 1995 became an incomplete customs union.

During the past few years Argentina has imported textile products worth $800 million per year, of which products worth $200 million came from the Asian market and a similar amount from Brazil.

The Argentine textile industry is demanding more protectionist measures and has denounced many cases of dumping (unfair competition) by Southeast Asian countries.

Investments Against Protectionism

Brazilian textile manufacturers in Brasilia disseminated a letter containing their demands, which include a petition to fight "predatory imports" from Asian countries, and short and medium term measures to reformulate policy.

The manufacturers state that the situation is improving and that they could invest $15 billion in machinery, parts, and quality control equipment if the government grants lines of credit and eliminates taxes. This could create 1.4 million new jobs.

The textile manufacturers state that the crisis has forced them to fire 80,000 employees.

They say that this year the industry will have a deficit of some $4 billion because they will only export products amounting to $1.5 billion, while imports will amount to $5.5 billion.

Production costs in Brazil are higher than in those countries due to high interest rates, credit limitations, and social security obligations for personnel.

Minister Rejects Possibility of Riots, Disturbances

PY2108153095 Montevideo EL OBSERVADOR in Spanish 12 Aug 95 p 5

[FBIS Translated Text] Interior Minister Didier Opertti has confirmed that in light of the actions slated for 14 and 24 August, the Defense Ministry will guarantee freedoms for all "citizens." He warned that no "concessions" will be made to situations "that may give rise to confrontations or violence."

Opertti refuted a report in yesterday's EL PAIS, which claims that Uruguay's intelligence services have detected two planned street "riots" — one on 14 August to mark the anniversary of the death of Liber Arce, a Communist militant, and the other on 24 August on the first anniversary of the violent incidents outside the Filtro Hospital [when ETA terrorists were extradited].

During a news conference yesterday at the Police Club in Solymar — where Defense Ministry officials and representatives from the Supreme Court and the Magistrates Association are analyzing the reform of the Code of Criminal Procedure — the interior minister said the report in EL PAIS "is not based on information obtained by police intelligence services."

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Opertti said the police "have no knowledge, information, or conjectures that riots or other disturbances are being planned."

The interior minister noted that authorization to hold the two rallies has not yet been requested. Nevertheless, he explained: "This does not mean authorization will not be requested or that the request will be refused."

The minister emphasized that the Interior Ministry's stance toward the rallies is based on the "full exercise of rights, in agreement and harmony with everyone's rights."

Opertti said "peaceful and orderly rallies, which are not detrimental to the rights of third parties, are part of the state of law that we are willing to observe within the laws and the Constitution, without concessions to situations that may give rise to confrontations or violence which the nation does not want."

Opertti said: "We do not want to revive situations that our country has experienced under other circumstances, situations that we may regret later."

The interior minister noted that the incidents outside the Filtro Hospital a year ago "should make us ponder deeply and silently, drawing the appropriate conclusions."

Concerning the killing of Fernando Morroni during the incidents of 24 August 1994, the interior minister emphasized that "destroying life, regardless of age, lifestyle, or ideals, is always regrettable for any democratic society and we must keep this incident in our collective memory as something that must not happen again."

The rally scheduled for 14 August to mark the killing of Liber Arce is being sponsored by the FEUU [Federation of Uruguayan University Students]. It will be held at the university campus. The rally scheduled for 24 August is being supported by the Permanent Commission on Human Rights. It will consist of a "silent," "torch-lit" march from the Obelisk to the Filtro Hospital.

Venezuela

World Bank Subsidiary Grants $30 Million Loan Guarantee

PA2108180395 Caracas EL NACIONAL in Spanish 16 Aug 95 p 1E

[Report by Adriana Cortes]

[FBIS Translated Text] The Investment Guarantee Multilateral Agency, Miga, a subsidiary of the World Bank, recently approved the first contract of insurance for Venezuela in favor of the ING Bank of Holland for $30 million, thereby facilitating the granting of long-term and foreign currency loans by that entity to the country's industrial sector.

The recent approval by the Miga is part of the policies of that institution to increase its presence in Latin America and represents the first contract for the country, which formally joined the organization in the second half of last year.

The guarantee offers the Internationale Nederlanden Bank, ING, the security to work in Venezuela by protecting its investment against noncommercial risks like political problems. Consequently, the bank, which recently began operating in Venezuela, will be able to fulfill its objective of offering long-term financing — approximately between five and 15 years — to the domestic industrial sector.

These loans would be given in dollars allowing the ING Bank to truly compete in Venezuela, both for the granting of loans in foreign currency and under long-term conditions. These facilities are granted by multilateral entities which have restricted Venezuela's access to this type of credit.

Currently, the ING Bank is awaiting the final authorization from the Superintendency of Banks and the Exchange Administration Technical Office (OTAC) to begin promoting these credits which, given the fact they will be stated in foreign currency, must conform to the foreign exchange regulation. The objective of the entity is to place loans for up to $30 million, amount covered by the Miga guarantee.

This contract with Venezuela represents the fourth contract signed by the Miga to provide insurance for the ING Bank. Previously, one $15-million contract had been signed in Argentina for the financial area; another in Honduras for $9 million to finance an electric plant; and another in Peru for a $15-million pension fund. The one with Venezuela is, therefore, the highest amount granted by the Miga to the ING Bank as a guarantee.

Miga is the newest member of the World Bank group and its goal is to promote private foreign investment in developing countries, agency member countries, through the issuance of guarantees in favor of private investors against losses caused by noncommercial (political) risks, as well as to render technical assistance services to governments.

The coverage offered by Miga is long-term, even for up to 20 years. Additionally, as of mid-fiscal year 1995, Latin America had benefited with 21 of the 28 contracts signed by Miga, reaching a total coverage of $177 million.

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Foreign Minister Views Foreign Investment

PA2108135195 Caracas ECONOMIA HOY in Spanish 16 Aug 95 p 3

[FBIS Translated Text] Foreign Minister Miguel Angel Burelli Rivas complained on 15 August that, although investments are flowing into the country, nobody mentions it, and this affects the nation's rating overseas.

According to Burelli, the Koreans frequently come to Venezuela to offer investments. "The Germans are investing $1.130 billion. U.S., Korean, and Japanese investors are arriving in Venezuela. If we further open the strategic associations, which constitute a great message to the world, then you will see the large number of oil companies which will come to Venezuela. They are already arriving."

[ECONOMIA HOY] Do you believe that the loss of rating is part of a campaign to discredit our country?

[Burelli] This is part of the world's crisis. Everybody is undergoing serious difficulties. You have heard of the "tequila effect," which is spreading the Mexican case into other countries. This has occurred. We have been in a crisis since 1989; we had the opportunity to collapse long ago, and the fact that we are now successfully emerging means that the crisis is being left behind. Let us compare ourselves to other countries, and we will see that our difficulties are very small comparatively speaking. [end Burelli]

According to Burelli, Venezuela is not the only country having many difficulties, but it also has more resources than difficulties. "One single resource which Venezuela has to recover from distress could resolve our situation."

Third in Ranking

The first part of the foreign minister's talks with reporters centered on international press reports which give Venezuela third place in the world's "ranking" of corruption.

Burelli played down the significance of these reports because "these are polls made worldwide on corruption rates referring to one or two years earlier."

[ECONOMIA HOY] Is it not negative for the country?

[Burelli] No, it is not negative, because it refers to a few years ago. The polls are always based upon facts which have occurred, and are a thorough examination of society in different countries, which has taken a long time to process and publish.

The foreign minister added that there are great expectations regarding President Rafael Caldera's visit to Colombia, and said he is proud "of the installation of honesty at the presidency in this country."

Finance Minister Responds to Newspaper Article

PA1908171895 Caracas EL NACIONAL in Spanish 17 Aug 95 p D-4

[Article by Rafael Nunez]

[FBIS Translated Text] "We are making headway with a different alternative approach that is demonstrating that a transformation process can take place within an atmosphere of social peace and if that is what THE WALL STREET JOURNAL wants to call populism, let it call it populism, but the truth is that the government is very clear as to who has to pay the costs of the adjustment of the economic process, and we are not going to allow the lower-income sectors to pay for it."

That was Finance Minister Raul Matos Azocar's reply to the article published by the New York City newspaper, which had stated that populism is suffocating the Venezuelan economy under a system of controls and subsidies.

[Nunez] Does the government intend to eliminate controls?

[Matos] Yes. That is an agenda that is currently being implemented.

As for the debate over the 1996 budget, Raul Matos Azocar said that the National Congress is sovereign and has the option of not approving it, for which the option would be to resort to the so-called extension period [reconduccion] and, the government would have no problems if the Legislative Branch made this decision because that budget, from the point of view of figures and allocations, is very similar to the 1995 budget and it would create no problems to the country's economy.

Matos Azocar, however, urged the Congress to review the changes made to the law and to approve between now and December the Fiscal Stabilization Fund bill and other criteria for allocating priorities.

Matos Azocar said he is pleased to see that Deputy Gustavo Tarre Briceno has reacted, although a bit late, to his intervention in Congress when he submitted the 1996 budget bill. Matos Azocar said that more than debating over accounting aspects and figures, it is important to achieve a political agreement to change the historic pattern of drafting the country's budget based on a series of laws that make it quite inflexible.

The budget in Venezuela has stopped being a tool for the country's economic policy. When we speak of the budget and the 3.4-trillion range, it must first be explained that in real terms, if one takes inflation into account, the figure has dropped and what is left for the executive branch to work with, due to a series of

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laws such as the Constitutional Allotment, the Housing Policy, and the Decentralization Fund Law, is only 15 percent, some 950 billion bolivares.

Matos Azocar said that before opening a debate over this percentage the Congress should seriously review the remaining 85 percent.

In fact, he announced that the government and the legislative branch have agreed to create a mixed commission to review the budget drafting process as well as the 1996 budget structure and the series of laws that make it so inflexible so that is will no longer be an isolated effort made by the executive branch. The proposal also calls for the revision of the old finance law itself, which according to Finance Minister Matos Azocar, does not respond to the demands of a modern economy.

The finance minister said that in the 1996 budget the government took into account a conservative and prudent revenue scenario in order to avoid the traditional and historic scramble, which the government is determined to eradicate from the country, in which the budget is allocated according to the sway of political influence and not according to the real needs of Venezuela.

Fedecamaras Skeptical About Wage Increase Proposal

PA1708124395 Caracas Venezolana de Television Network in Spanish 0200 GMT 16 Aug 95

[Report by Maribel Rodriguez; from "The News" newscast]

[FBIS Translated Text] Fedecamaras [Venezuelan Federation of Associations and Chambers of Commerce and Industry] is skeptical about the CTV [Venezuelan Workers Confederation] proposal to increase workers' minimum wages to 40,000 bolivares. Maribel Rodriguez has the details:

[Begin recording] [Rodriguez] Fedecamaras President Jorge Serrano emphasized that the country is not capable of assuming any more wage increases by decree. He added that dialogue and concerted efforts are necessary between workers and employers in order to agree on a fair increase of wages for the working masses of the country.

[Serrano] We will study...[pauses] this is not official yet. We do not have the CTV document yet, and that is the reason we are summoning them to a working session at the CTV or Fedecamaras headquarters to study the proposals.

[Rodriguez] Fedecamaras is convinced that the government has to make changes to the social benefits plan, as soon as possible. [end recording]

Guyana

Canadian Gold Mine Contaminates Essequibo River

FL2108170395 Bridgetown CANA in English 1439 GMT 21 Aug 95

[By Courtney Jones]

[FBIS Transcribed Text] Georgetown, Guyana, Aug 21, Cana - A major investigation was underway Monday [21 August] to determine how a large quantity of cyanide-contaminated water, leaked into Guyana's mighty Essequibo River from a Canadian-run gold mine in the country's jungle interior.

Dr William Woolford, the government's mines commissioner, called the Saturday night spill at the Omai gold mine, a "major disaster". The government has warned residents of communities along the banks of the Essequibo, not to use water from the river.

Prime Minister Sam Hinds has scheduled a news conference for midday to give an update on the spill.

The gold mine, scene of a cynanide leak into the Essequibo two months ago, has been closed following the latest spill.

A government official told CANA some 40,000 cubic metres of cyanide-contaminated water, leaked into the Essequibo Saturday night.

Residents have reported seeing dead fish both in the Essequibo and the Omai river, which is a tributary of the Essequibo.

The Omai gold mine, majority-owned by the Canadian companies, Gold Star Resources and Cambior, represents the largest single foreign private investment in Guyana. The government has a five per cent interest.

Officials told reporters preliminary findings indicate major structural weaknesses in the walls of a dam holding cyanide waste from the gold extraction process, caused the leak.

They said there were indications that cracks along the top of the dam walls, were widening, opening up the possibility that the dam walls could further collapse.

Omai human resources manager, Norman Maclean, told reporters the company stands to lose as much as US500,000 as a result of the indefinite closure of the mine.

Omai employs 900 workers. Maclean declined comment on what would happen to the workers during this period.

The mine is located 150 miles south of Georgetown, the capital.

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Opposition Wants Canadian Gold Mine Shut Down

FL2108170495 Bridgetown CANA in English 1622 GMT 21 Aug 95

[FBIS Transcribed Text] Georgetown, Guyana, Aug 21, CANA - A top official of the opposition Working People's Alliance (WPA) in Guyana is calling on the Guyana government to immediately close the operations of the giant Omai Gold Mines Limited and declare a state of environmental disaster.

Co-leader of the WPA, Dr Rupert Roopnarine's comments come in the wake of the second cyanide-waste spill from the Omai Mine site in the Guyana jungle in three months causing hundreds of thousands of gallons of cyanide effluent to pour from breaches in the tailings pond of the mine into the Essequibo river Saturday night.

"For months now, the negligence, arrogance and public relations bluff coming from Omai have been so overbearing as to open Omai to the charge of malicious intent to injure," Roopnarine told CANA Monday.

He said his party was demanding that government immediately implement measures to deal with the situation.

"We call upon the government for an immediate declaration of an environmental disaster causing destruction of the eco-system including all animal life. There should be an immediate cease-order on all operations except those aimed at containment and cleaning up.

"Secondly, there should be an immediate evacuation of all Omai workers.

"Thirdly, an immediate closure of all Omai mining activities with full wages to its employees indefinitely.

"Fourthly, medical missions, reinforced personnel from friendly organisations from Guyana and abroad should be dispatched at once to the endangered population and in particular to take special care of pregnant women and children.

"Five, there should be an immediate reference of the circumstances to the director public prosecutions with a view to prosecutions, immediate reference of the civil aspects to the Attorney General with a view to due process and redress for loss and injuries.

"There should be an invitation to Guyanese environmentalists, reputable international organisations like Greenpeace and Mind-watch to evaluate in Guyana and to prepare expert evidence," Roopnarine said.

The WPA co-leader also says that the government must immediately issue orders restraining the movements of Omai personnel and the seizure of relevant records and documents.

He also said that there should be special arrangements for relief and compensation for affected families and to persons showing signs of injury for an indefinite period.

"The WPA does not in any way regret its call last April for the closure of this ill-conceived fiasco. Our boycott of Omai's so-called environmental seminar in June is also fully vindicated," the WPA official told CANA.

Roopnarine, the WPA's Member of Parliament, had tabled a motion in parliament on May 5, "calling on the National Assembly to reject Omai's application to dump their tailings pond water into the Essequibo River".

He said that Sunday night he wrote to leader of government business in parliament Prime Minister Sam Hinds saying that special reasons now exist for the convening of parliament during the current recess to debate the disaster and to set up a special parliamentary committee to carry out a special investigation.

"We are taking this on as an absolute major environmental catastrophe in the hemisphere. We are talking in terms of four to five millions of gallons of contaminated water being dumped into the Omai and Essequibo River," Roopnarine said.

He noted that the loss to animal, fish and human life was "probably going to be incalculable" and called on government to stop being, "as tolerant as they have been with them".

The clay wall holding the cyanide-effluent from Omai's gold mining broke in a number of places Saturday night causing the contaminated water to gush into the Essequibo river.

There are already reports from the region of hundreds of dead fish floating in the river as an estimated 40,000 cubic metres of the cyanide-tainted water an hour flowed into the river.

Government Information Service (GIS) sources told CANA President Cheddi Jagan's Environmental Advisor, Navin Chanderpal is leading a top-level government team at Bartica, a mining town in the Guyana jungle, to coordinate clean-up activities.

General Secretary of the main opposition Peoples National Congress (PNC), Patrick MacKenzie, in a brief comment to CANA said government should consider evacuating people from the affected areas.

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Environmental Groups React to Gold Mine Cyanide Spill

FL2108233195 Bridgetown CANA in English 2143 GMT 21 Aug 95

[FBIS Transcribed Text] Guyana, Aug 21, CANA — The international environmental watchdog organisation, Minewatch, said it predicted in March that a tailing dam breach or leak of some kind was likely to occur at Omai gold mines. The comment came as government authorities launched a major investigation Monday following breaches in the supposedly fail-safe tailings pond, which sent millions of gallons of hazardous cyanide effluent gushing into the Essequibo River from the mine site, about 150 miles south of the capital in the Essequibo jungle.

A release from the London-based organisation, Minewatch, faxed to CANA Monday, said the organisation had based its conclusions on the very data which purportedly justified the controversial discharges into the Essequibo River.

"To put it at its bluntest, none can pour a quart into a pint bottle without disastrous consequences," the release said. Minewatch accused the management of the Canadian Omai Gold Mines Limited (OGLM) of spending a great deal of time trying to persuade Guyanese that its technolology downstream of tailings pond facilities, "was adequate and appropriate."

"Omai has never answered the major doubts about the stability of these 'containment' facilities themselves. Now we see the appalling consequences of that myopic, self-justifying tactic on the part of OGML."

Here in Guyana, the Guyana Human Rights Association (GHRA) today credited the Omai spill to a "woeful lack of regulations, procedures, and expertise."

"It was Omai who virtually dictated how the matter (of the storage of cyanide effluent in the tailings pond) should be handled," the GHRA statement said. GHRA added it was evident from the new disaster that the Guyana Government had neither the technology nor the expertise to determine the damage to the environment, the contamination of the river, and to take steps to minimise further deterioration.

Another environmental group in Guyana, the Rainforest Consultants Association (RAFCA), described the latest spill at Omai as "a blatant act of environmental racism and terrorism against the Guyanese people..." Calling the cyanide spill "Ecocide," the statement, signed by RAFCA's Executive Director Gustav Jackson, said the disaster, "demonstrated Omai's arrogance and callous disregard for the life and environment of Guyana. The Guyana Government's complicity in this disaster cannot be ignored because in spite of the several warnings from workers, citizens, and experts groups, the government continued to allow Ecocide to continue," it said.

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